SMBC

SMBC Group

A trusted partner for the long term

SMBC Nikko Capital Markets Limited

Annual report and financial statements
Year ended 31 March 2025

Presentation of information

In this annual report, the terms 'SMBC Nikko', 'the Company', 'we' or 'us' refer to SMBC Nikko Capital Markets Limited. 'The Group' or 'SMBC Nikko Group' refer to SMBC Nikko Capital Markets Limited and its subsidiaries: SMBC Derivative Products Limited (SMBC DP) and SMBC Capital Markets (Asia) Limited (CM Asia). The parent companies are Sumitomo Mitsui Banking Corporation (SMBC) and SMBC Nikko Securities Inc (Nikko Tokyo). 'SMBC Group' refers to the corporate group of companies of Sumitomo Mitsui Financial Group Inc, shown as 'SMFG' and of which the Company, SMBC and SMBC Tokyo are a part.

The term 'EMEA' refers to Europe, Middle East and Africa. SMBC Nikko's affiliate company SMBC Bank International plc is shown as 'SMBC BI', the affiliate company SMBC Bank EU AG is shown as 'SMBC EU', and the affiliate SMBC Capital Markets, Inc. is shown as 'CM Inc.'

This annual report contains forward-looking statements that involve inherent risks and uncertainties. Please see Forward-looking statements and sustainability matters on page 103.

Company registration

Registered as a private limited company in England and Wales under company number 02418137.

Regulatory registration

Authorised and regulated by the Financial Conduct Authority

Financial Services Register number: 171935

Registered office

100 Liverpool Street
London EC2M 2AT

Website

www.smbcgroup.com/emea

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Strategic Report

Business overview

The Directors present the Strategic Report of SMBC Nikko Capital Markets Limited for the year ended 31 March 2025.

The Company is a subsidiary of SMBC and Nikko Tokyo, both wholly owned subsidiaries of SMFG, a Tokyo-based financial services holding company. The consolidated subsidiaries and affiliates of SMFG are together known as SMBC Group. The SMBC Group offers a broad range of financial services, including commercial banking, leasing, securities, credit card, investment, venture capital and other credit-related businesses.

With the disposal of the Securities business during the year to its affiliate company, SMBC BI, the Company's offering is now primarily limited to provision and marketing of derivatives hedging solutions to its customer base, largely comprised of clients of SMBC Group companies. Further information on the transfer of the Securities business can be found on page 4.

The Company forms part of the SMBC Nikko Group, which at the year-end comprised the following consolidated legal entities:

- SMBC Nikko Capital Markets Limited, company number 02418137, incorporated in England and Wales. The Company is an IFPRU investment firm authorised and regulated by the Financial Conduct Authority (FCA). It is a derivatives specialist providing hedging solutions to customers, including the wholesale customers of SMBC Group.
- SMBC Derivative Products Limited (SMBC DP), company number 02988637, incorporated in England and Wales, is a wholly owned subsidiary of the Company. SMBC DP is an IFPRU investment firm, authorised and regulated by the FCA. It is structured as a bankruptcy remote derivative products company and has received a credit rating of Aa1 from Moody's Investors Service Inc. and AA- from Standard & Poor's Ratings Group. SMBC DP's principal activities are the provision of interest rate and foreign exchange risk hedging products to customers seeking a highly rated counterparty and the provision, for a fee, of performance guarantees with respect to its affiliate.
- SMBC Capital Markets (Asia) Limited (CM Asia), business registration number 39695688, is incorporated in Hong Kong and is authorised and regulated by the Securities and Futures Commission. CM Asia acts as an agent for the Company and its affiliated entities in offering customers derivatives solutions in Asian markets, outside of Japan, and in Australia.

Review of the year

Business environment

Overall, the financial results for the year were a loss due to two large exceptional items:

1) Disposal of low Return on Equity (ROE) derivatives trades; and

2) the cost of discontinuance of development of the planned Synthetic Prime brokerage business following a review of the SMBC Group's strategic priorities.

Prior to the Securities business transfer, the Capital Markets sector performed very strongly especially in the debt primary issuance with record revenues realised by the Company and its EU affiliate in its Debt Capital Markets businesses. This was driven by a benign interest rate environment until the recent US tariff announcements, helped by healthy appetite from investors and corporate issuers. On the other hand, despite a strong Japanese stock market during the year, the flow of international Initial Public Offerings provided limited opportunities for the Company to capitalise on.

Secondary trading in Fixed Income performed strongly, benefitting from a healthy flow of volumes and a stable credit market. The Securities Financing business continued to broaden its customer base and saw strong revenue growth. Equities trading revenues were stable considering limited new issuance activity. Derivatives business continued to evolve away from the large one-off transactions to shorter dated hedging for Corporate and Sponsor clients, managing to generate sound returns.

With interest rates remaining benign throughout the financial year, the return on the Company's equity base has helped the Corporate Treasury yield a good return.

Strategic Report continued

Transfer of Securities business

On 7 October 2024, the Company and SMBC BI, successfully completed a project involving the transfer to SMBC BI of the Company's Securities business, which comprised its Debt Capital Markets, Equity Capital Markets, Fixed Income and Merger & Acquisitions Advisory businesses. The Company retained its Derivatives business. The Company continued to provide Fixed Income securities products to a small number of customers who had not transitioned to SMBC BI on completion; these customers have now moved to SMBC BI or closed their accounts.

As part of this project, on 1 August 2024 the Company's employees transferred to SMBC BI. Many of these employees now provide services to the Company through intra-group Service Level Agreements (SLAs). Certain key senior employees and other employees who are dedicated to the ongoing Derivatives business of the Company are seconded back to the Company. In addition, as part of this project, on 30 December 2024 the Company's branch in the Abu Dhabi Global Market (ADGM) was closed, having been replaced by an ADGM branch of SMBC BI.

Asset sale

Following a review of mid- to long-term profitability targets, SMBC EMEA management identified a portfolio of project finance loans and their loan-linked hedges as assets suitable for sale. Certain of those hedges were booked in the Company and these hedges were transferred synthetically on completion; novation of hedging instruments continues and is expected to complete by the end of the financial year ending 31 March 2026.

The disposal of the loans and hedges has taken the form of a bulk portfolio sale to a single purchaser and additional bilateral sales to a number of financial institutions.

Sale of SMBC Capital Markets (Asia) Limited

Both the Company and its minority parent Nikko Tokyo are wholly owned subsidiaries within the SMBC Group. Aligning with the SMBC Group's goal of simplifying its global derivatives offering, the Company has decided to sell its wholly owned subsidiary SMBC Capital Markets (Asia) Limited to Nikko Tokyo. The transaction is expected to complete during the financial year ending 31 March 2026.

Strategic Report continued

Results

Key performance indicators

The Board and management use a range of financial and non-financial key performance indicators (KPIs) to help them understand how the Company is performing and to monitor its compliance with regulatory requirements. Set out below are the key KPIs used.

Financial KPIs

Return on equity	**2025**	2024
Loss after tax of USD 22.3 million (2024: profit of USD 6.4 million) divided by the average equity in the year of USD 1,869.5 million (2024: USD 1,873.7 million).	**(1.2%)**	0.3%

Own funds ratio	**%**	%
Total own funds of USD 1,826.9 million (2024: USD 1,832.2 million) divided by Investment Firms Prudential Regime (IFPR) own funds requirement of USD 136.9 million (2024: USD 285.9 million)	**1,334.5**	640.8

Cost income ratio	**%**	%
Net operating expenses of USD 153.3 million (2024: USD 188.8 million) divided by total income of USD 149.1 million (2024: USD 209.7 million)	**102.8**	90.0

Net profit	**USDm**	USDm
(Loss)/profit after tax	**(22.3)**	6.4

Gross income	**USDm**	USDm
Total income	**149.1**	209.7

Total assets	**USDm**	USDm
Total assets	**15,903.6**	31,947.3

Non-financial performance KPIs

- Carbon emissions – page 25
- Supplier payment periods – page 33

Looking ahead

The Company's strategy and business model are now focused solely on the provision and marketing of derivatives hedging solutions to its customer base. The Board of Directors continues to regularly review the Company's strategic direction to ensure alignment with its role and positioning within the wider SMBC Group and the Company remains committed to delivering long-term value to its stakeholders.

Strategic Report continued

Risk management

Principal and emerging risks and uncertainties at 31 March 2025

Macroeconomic and geopolitical risk

The current business outlook and global macroeconomic environment is characterised by significant uncertainty and volatility that presents a unique mix of challenges and opportunities. Ongoing geopolitical risks remain elevated, including the new US administration's tariff policy and resulting impacts on global markets. Additionally, the ongoing tensions in Russia and Ukraine, the Middle East, Asia, Taiwan and the Korean peninsula are adding to the uncertainty with likely impacts on global trade, inflationary pressures and investment flows.

The Company will continue to monitor the market situation amid the potential for further volatility and deterioration in the credit cycle. The Company manages its positions through careful monitoring, netting agreements with counterparties and the receipt of cash collateral, and should therefore be in a strong position to manage this situation. Nonetheless, the Company will continue to remain vigilant during this period.

Liquidity risk will remain an area that all market participants will endeavour to manage carefully. The Company is exposed to liquidity risk primarily through the exchange of collateral under its derivative contracts. This source of liquidity risk has been (and will likely continue to be) impacted by market volatility, and as such requires prudent management. The Company operates a comprehensive liquidity risk management framework which is monitored by risk management and supported by Treasury and Front Offices. The Company considers that its current liquid resources and monitoring framework will be sufficient to manage this uncertainty.

Risk management overview

Risk overview

The Board is responsible for setting the Risk Appetite Statement annually and for establishing a framework of controls that enables risk to be managed and assessed in line with its Appetite. The Risk Appetite is developed alongside the corporate strategy and embedded within capital and liquidity planning, including the annual Internal Capital Adequacy and Risk Assessment (ICARA) document, Capital Adequacy Risk Appetite Threshold, Recovery Plan and Solvent Wind Down Plan, all of which were approved by the Board in the year. The Board delegates the ongoing monitoring of the effectiveness of risk management and internal controls to the Board Audit and Risk Committee and the Executive Committee and receives regular reports from those Committees on the work undertaken.

Audit and Risk Committee (ARC): The Committee was established in January 2025 and took over the responsibilities of the Board Risk and Compliance Committee (BRCC) and the Audit Committee, both of which were subsequently dissolved. In the year, the ARC (and prior to January 2025, the BRCC or Audit Committee) has:

– reviewed and challenged the status of risk against risk appetite, the principal and emerging risks faced by the Company and how risk is being managed. These reviews have been supplemented by reviews in key areas of focus, including Credit Risk (including restructuring risk), Operational Resilience, Third Party Risk Management, and Environmental, Social and Governance (ESG) Risk;
– assessed the effectiveness of internal financial controls and considered the results of external audit findings. It has also considered the results of internal audits, which address the design and implementation of risk controls in each audited entity, and continues to monitor the work on improvements identified in the course of these audits.

Strategic Report continued

The ARC has also:

- considered the results of, and management response to, the Compliance Monitoring Review activity, which provides assurance on compliance with relevant laws; and
- reviewed trends in whistleblowing reports received to understand the insights these provide into possible areas of risk within the Company.

Activities to enhance internal controls and risk management arrangements where these have been identified, including through internal audit activity, have been overseen by the ARC.

Further information on the ARC can be found on page 18.

Executive Committee: The Executive Committee has responsibility for the day-to-day monitoring and management of Company-wide risks, emerging risks and key risk indicators. In the year, the Executive Committee assessed the effectiveness of controls and the implementation of risk mitigation plans, where necessary.

Strategic Report continued

Risk classification

The way in which the Company classifies the risks and uncertainties it faces are set out below.

Type	Description	How risks are managed
Credit and counterparty credit	Credit risk is the risk of any losses to the Company arising from any credit events caused by a third party's inability or unwillingness to meet its obligations as they fall due. Residual/restructuring risk: The risk that recognised risk measurement and mitigation techniques prove less effective than expected, e.g., guarantees proving ineffective in certain events (restructuring). Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.	Credit risk mitigation is a high priority for the Group's management and a variety of measures are employed to mitigate this risk, including: – collateral and netting agreements are both used to mitigate credit and liquidity risks. Collateral is predominantly in the form of cash, mainly in major currencies, and securities collateral is mostly high grade government bonds; – scenario analysis and stress testing; – parent guarantees purchased by the Group to cover specifically identified counterparty credit risk; and – strict credit control procedures and limits monitoring to ensure front office departments incorporate a comprehensive credit assessment in their approach to pricing.
Liquidity	The risk that the Company cannot meet its liabilities, unwind or settle its positions as they become due.	Liquidity risk is mitigated by holding cash and highly liquid securities, including a liquid asset buffer of high quality, unencumbered assets, to cover any unexpected cash outflows. The Group measures and maintains liquidity ratios in accordance with the Individual Liquidity Guidance set by the FCA and the Group's risk appetite.

Strategic Report continued

Type	Description	How risks are managed
Market	The risk of financial loss or damage to the Company's financial position caused by changes to market prices and other market values. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying assets are traded. As the instruments are recognised at fair value, those changes directly affect reported income.	The Company has low market risk limits for its derivative business, which is predominantly undertaken on the basis that the market risk arising from customer trades is hedged either with an SMBC Group company (CM Inc.) or a market counterparty, which substantially mitigates market risk in the derivatives business. Market risk otherwise arises in both the primary underwriting activity and the secondary securities held for market-making purposes. It is mitigated through the monitoring and enforcing of overall Value at Risk limits at a portfolio level as well as position limits and management of inventory holding periods. Market risk limits are reviewed regularly and are approved annually by the Board and are set out in the Group's Risk Appetite Statement.
Conduct	The risk of the Company's actions, inactions or behaviour resulting in poor outcomes for its customers and stakeholders, damaging the integrity of the financial markets or undermining effective competition.	The Company assesses its conduct and culture against its Culture Statements using a suite of targeted metrics.
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. There is also an increasing regulatory and Company focus on operational resilience. As a result of the Group's activities, it assumes other potential risk impacts such as reputational, conduct and others, which it manages within the overall policy framework.	Operational risk is managed with a view to maximising resilience and continuity whilst maintaining acceptable levels of residual risk. Example key indicators used to monitor, measure and report operational risk include operational risk losses and an operational risk profile score underpinned by diverse operational risk indicators.

Strategic Report continued

Type	Description	How risks are managed
Outsourcing	Outsourcing is an arrangement between a firm and a service provider by which that service provider performs a service or function that the firm would otherwise perform as part of its normal course of business. Third party risk is the potential for losses due to a third parties' poor performance or inability to continue the outsourced services.	Outsourcing is managed through the Third-Party Risk Management Framework which is operated by SMBC BI and upon which SMBC Nikko places reliance. The Framework includes: Planning, Risk Assessment, Due Diligence (which form part of the onboarding process) and Contract Management through the process of SLAs, Ongoing Monitoring and Exit/Termination. Insufficient governance and oversight remain the main drivers of outsourcing enforcement actions in the industry, and to this end, the Company's Outsourcing Oversight Committee remains an essential governance oversight forum.
Cyber	The risk of cyber-attack which can result in wide-ranging impacts from information theft to unavailability of systems and services. Any cyber-attack may result in loss of customer confidence, damage to the Company's reputation, financial loss (including recovery costs and increased costs of working) and possible regulatory penalties or intervention.	The Company has implemented technical and procedural controls at multiple levels to detect, prevent, and respond to potential threats and anomalous behaviour. Any incidents are escalated through the Company's incident management process, which is tested regularly. All staff receive comprehensive security awareness training and participate in regular simulated phishing campaigns. A number of themes related to cyber events also feature in the Company's operational risk scenario exercise and are reflected in the operational risk capital assessment.
Model	The potential loss resulting from errors in the development, implementation or use of internal models.	Model Risk is managed through a comprehensive Model Risk Management Framework covering eight key dimensions. These include Governance Structure, Model Inventory, Identification, and Tiering, and the Model Lifecycle. Additionally, the framework includes Ongoing Periodic Assessment, a Post-Model Adjustments Framework, and a Model Risk Appetite Framework.
Sustainability, including climate change	Sustainability risk is defined as a crosscutting risk that can manifest across all traditional risk types. Sustainability risk results from ESG factors, issues, events or conditions that have the potential to substantially impact (financially, reputationally or physically) SMBC Group, its clients, the environment and/or society. This risk can manifest itself across all risk types.	Management of these risks is articulated in the Sustainability Risk Management Framework. The Framework aligns to business strategy and follows the Identify, Measure, Monitor, Manage and Report (IMMMR) approach.

Strategic Report continued

Type	Description	How risks are managed
Reputational	The risk of current and prospective impact on earnings and capital arising from litigation or a decline in customer base from negative public opinion regarding the Company's business practices, and therefore negatively impacting the ability to establish new relationships or continue serving existing relationships.	The EMEA Reputational Risk Committee was established in the year as a standalone committee to oversee events that could present reputational risks for SMBC across EMEA. The Committee continues to assess the reputational risks of clients and transactions, whilst extending governance oversight of legal, people, and communication and media matters. Further enhancements to the Reputational Risk Framework and governance are planned over the coming year.
Other non-financial	As a result of the Company's activities, other non-financial risk assumes other potential risk impacts such as reputational, conduct and others which it manages within the overall policy framework.	A number of appropriate approaches are used to manage other non-financial risks.

Strategic Report continued

Risk strategy and risk appetite

The Company's risk strategy is designed to support the corporate strategy and the achievement of sustainable growth over the long term. The risk strategy comprises four pillars, being the foundations upon which the Company seeks to achieve its strategic objectives:

- **Business model**
  Achieve sustainable business growth and manage earnings volatility by prudent risk taking and appropriate pricing of risk.
- **Maintaining solvency and liquidity**
  Maintain capital and liquidity resources in surplus over business needs and regulatory requirements.
- **Conducting business**
  Adhere to the letter and spirit of all applicable legal and regulatory requirements and ensure that actions (or failure to act) do not cause an adverse outcome for the Company, its customers, suppliers and other key stakeholders.
- **Managing operational risk & resilience**
  Maintain an operational risk framework comprised of people, processes and systems to a high standard in order to ensure resilience against both internal and external operational disruptions.

Segregation of duties: Roles and responsibilities in the management of risk

Three Lines of Defence

First Line of Defence

Senior management in the first Line of Defence are responsible for each of the risks and controls that fall within their area of responsibility and are responsible for ensuring that appropriate controls are in place to mitigate the risks. Each department operates within the risk appetite threshold in the context of its own strategy, taking into account the overall risk management framework and corporate strategy.

Second Line of Defence

The Risk Management Department, Compliance Department and Credit Department are collectively the Company's second Line of Defence. These departments are independent from the business areas that generate risk and operate within a governance framework that allows them to exercise professional judgement and make recommendations in an effective and impartial manner.

Risk Management Department (RMD) supervises all major risks to which the Company is, or could potentially be, exposed and assists the business in identifying risk and developing frameworks to manage, monitor and control those risks. RMD also oversees the risk appetite and owns the policy framework, limits and guidelines for Credit, Market, Liquidity, Sustainability risk, and certain Operational risks, including Reputational risk.

Compliance Department are responsible for the formation and execution of Company-wide compliance risk strategies and policies that are consistent with the Risk Appetite measures and business strategy in the areas of financial crime, conduct risk and regulatory change and therefore is responsible for overseeing that the Company maintains external and internal regulatory compliance in accordance with the policies, rules and regulations for financial crime and conduct as set out by the FCA, the Company and the SMBC Group.

Credit Department (CD) are responsible for assessment and approval of individual credit transactions/decisions against the Company's risk appetite framework. CD are also responsible for ongoing management of credit exposures including special credits and self-assessment and impairment provisioning.

Third Line of Defence

Audit Department are the third Line of Defence and comprises an Internal Audit Group and a Credit Review Group. The objective of Internal Audit is to provide reasonable assurance to the Board, management and other stakeholders that an effective internal control environment has been established to protect the Firm's assets, reputation and sustainability. To achieve this objective, the Internal Audit Group conducts audits and provides related services using a risk-based approach and through meeting the Global Institute of Internal Auditors Standards and following the Guidance on Effective Internal Audit in the Financial Services Sector issued by the Chartered Institute of Internal Auditors. Audit Department acts independently of the Firm's business units. The two Co-General Managers of Audit Department report to the ARC at its quarterly meetings.

Strategic Report continued

Executive-level risk and control committees

Risk Management Steering Committee

Provides governance, challenge, and technical and strategic support for the risk management of the business. The Committee reports into the ARC covering relevant risk management information (for instance market, credit, liquidity, operational and conduct risk), reporting of performance against Risk Appetite (and escalation where relevant) and reporting of relevant policies for ARC approval.

Asset & Liability Management Committee

Considers market and liquidity risk management and asset and liability management issues, discussing operations and funding policy (including the long-term funding strategy) and reporting on risk appetite, monitoring limits, guidelines and compliance with regulatory requirements.

Compliance & Financial Crime Committee

Assesses the robustness of the local compliance management framework, discusses material local compliance matters and reviews the progress of the implementation of local initiatives, which cover key and emerging risks arising from, or significant issues relating to, regulatory affairs, governance, conduct, financial crime, and monitoring and surveillance.

Credit and Counterparty Credit Risk Committee

Responsible for discussing a range of credit issues, including consideration of credit and counterparty credit risk key risk indicators (KRIs), portfolio analysis, sector analysis and asset allocation, as well as credit risk appetite. It also reviews matters such as business origination guidelines and issues arising from the ongoing credit review activity performed by Audit Department's Credit Review Group.

EMEA Reputational Risk Committee

Responsible for overseeing the reputation of the Company as well as promoting and monitoring the effective management of reputational risk across the Company. Matters discussed include reputational risk management issues, including the oversight and governance processes, as well as reviewing and decision-making on country and sector and customer/business-specific reputational risk appetite positions.

Enterprise Risk Management Committee

This Committee has the dual purpose of: (i) coverage of specific Enterprise Risk Management matters, such as examining the governance processes, assumptions and results related to the internal capital adequacy assessment process and internal liquidity adequacy assessment process, recovery and resolution planning, risk appetite and regulatory horizon scanning; and (ii) acting as an overarching risk management committee through which it considers risk matters in aggregation.

Finance Committee

Provides control, governance, transparency and challenge around finance matters. Key matters overseen and considered by the Committee are financial and non-financial reporting, external audit, regulatory reporting and taxation.

Market Risk Committee

Responsible for considering matters related to market risk management, including issues arising in relation to the Market Risk Management Policy, effectiveness of risk mitigation measures, identifying risks and emerging risks, and evaluating market risk regulatory developments.

Model Risk Committee

Examines and discusses matters relating to model risk management. The subjects discussed include issues arising in relation to the overall governance of the Model Risk Management Framework and relevant elements, such as mitigation measures, monitoring principal and emerging model risks, and reporting and regulatory matters.

Operational Risk and Resilience Committee

Examines and discusses matters related to general risk management issues. The subjects discussed include risk issues arising in relation to the overall risk management framework, the risks arising from the implementation of new products and services, outsourcing oversight, and the operational risk management framework and elements thereof, such as information systems issues, information security matters, compliance and regulatory matters and Internal Audit findings.

Strategic Report continued

Sustainability Risk Management Committee

Examines and discusses matters related to developing effective sustainability risk management through a Sustainability Risk Framework integrated across the business in EMEA. It also reviews matters such as Sustainability Risk Appetite, data and tools, Risk Appetite Framework monitoring and KRI thresholds.

Technology & Cyber Resilience Steering Committee

Examines and discusses matters relating to information security/cyber and IT risk, including strategy, continuous improvement, external landscape and threat actors, control assurance, known issues and audit remediation. The Committee also approves as required key changes and programme deliverables that may impact the Company's technology or cyber risk profile.

Risk Management Framework

The Company maintains a Risk Management Framework which sets out the overarching principles and information for the key areas of risks. The Company understands the importance of establishing and embedding a robust risk management culture across the Company. Therefore, the Framework is designed to ensure that effective risk governance and management is in place across all business activities.

The Framework can be described through seven key components, each outlined below and described in more detail in subsequent sections:

- **Risk governance structure** – who is responsible for the Company's risk management and what authorities are given.
- **Risk identification and assessment** – what risks the Company faces and how important each risk is.
- **Risk strategy and Risk appetite** – what level of risk (for each risk type and on an aggregate basis) the Company is prepared to take in the pursuit of strategic objectives of the Company.
- **Risk measurement** – how risks are individually and collectively measured and recognised.
- **Risk monitoring and reporting** – how risks are monitored, controlled and reported to the Board, executive management and business owners.
- **Stress testing** – scenario analysis of potential downside risks.
- **Capital, liquidity and funding planning and management** – how the Company's capital and liquidity resources should be managed.

Risk identification and assessment

The key principles used for risk identification and assessment are to:

- identify the major risks that could impact the Company's long-term sustainability;
- assess the likelihood and impact of the risks materialising; and
- assess the robustness of the controls that mitigate the risks.

The Company has several key processes to ensure its risks are identified and assessed, including:

Enterprise risks:
- Top and Emerging risks
- Risk Register.

Operational/conduct risk:
- Scenario analysis
- Product Approval Framework
- Risk Register
- Operational Risk Event reporting
- Risk Issue reporting
- Early Warning Indicators (EWIs) and KRIs
- Third Party Risk Management
- External Events and Emerging risks
- Post-Implementation Project Impact Assessments.

Credit/market/liquidity risk:
- EWIs and KRIs
- Scenario analysis and stress testing
- Reverse stress testing
- Sustainability risk, including climate change.

Risk measurement

The key principles for risk measurement and monitoring are to:

- measure risk exposure by loss modelling, enterprise-level KRIs and scenarios;
- provide capital methodology and implementation;
- facilitate senior management understanding of the severity of the risk;
- ensure appropriate reporting to the Board, Audit & Risk Committee and Executive Committee of inherent and post mitigation risk via KRIs to facilitate any mitigation and/or changes to the risk appetite; and
- maintain a record of accepted risks.

Strategic Report continued

Risk monitoring and reporting

The key principles for risk reporting and escalation are as follows:

- Ensuring that senior management is provided with the necessary information regarding the Company's principal risks so that an informed view of the Company's risk profile can be made.
- Ensuring that all material risks are reported and deliver a complete view of the whole range of risks facing the Company.
- The principal risks facing the Company are reported at the appropriate Risk and Control Committee meetings. These Committees have responsibility for the principal risk categories and related risk management matters.
- Delivering a Risk Report that incorporates key risk themes to the Executive Committee each month.

Stress testing and scenario analysis

Stress testing and scenario analysis are used across the principal risks to ensure that the Company can adequately understand and quantify risks not only as they currently exist, but as they might develop in times of stress.

Capital, liquidity and funding planning and management

The Company's capital and liquidity planning is made possible only with a clearly defined risk appetite, a full set of identified risks and effective stress testing. The annual process for budgeting entity-level capital and liquidity needs is part of the ICARA work, which takes place in conjunction with the annual business planning processes.

The Board sets out financial targets and defines financial resource capacity and limits. Resources are then allocated to each business taking into consideration the required return, expected capital usage and strategic importance of each business.

The Risk Management Department and Finance Department are responsible for monitoring compliance with agreed solvency and liquidity limits to ensure targets are met. This monitoring includes the following:

- Intra-day monitoring of settlement accounts.
- Daily monitoring of early warning indicator dashboard.
- Daily monitoring of flash liquidity position.
- Weekly calculation of stressed liquidity requirements and regulatory ratios.
- Weekly calculation of solvency ratio to ensure the Group and other UK regulated entities remain above regulatory requirements.
- Periodic analysis of the required capital changes in conjunction with relevant market or any other factors such as interest rates, FX rates and credit spreads that have a material impact on the required capital.
- Incorporation of any regulatory changes which impact capital requirements.
- Monthly reports to the Risk Management Steering Committee to discuss regulatory capital usage and related business developments.

Governance

The Board of Directors

The Directors who were in office at the date of signing the financial statements and their Committee appointments are set out below.

Name	Board of Directors	Committees: Audit & Risk	Committees: Nominations	Committees: Remuneration
Non-executive Directors				
James Garvey	C	M	C	C
Maria Turner	M	C	–	M
Bungo Miura	M	M	M	M
Hideo Kawafune	M	M	M	M
Executive Directors				
Antony Yates	M	–	–	–
Mehul Desai	M	–	–	–

C: Chair of Board or Committee

M: Member of Board or Committee

A list of changes to the Board in the year can be found in the Directors' Report on page 36.

Board and Committees

Board of Directors

The Board of Directors sets the Company's purpose, strategic direction and risk appetite and is the ultimate decision-making body for matters of strategic, financial, regulatory or risk significance.

The Board has delegated certain of its responsibilities to its Committees, which provide advice to the Board and recommend matters to it for approval as required under their terms of reference. The Board is responsible for appointing the Chairs of the Committees; with the Nominations Committee responsible for reviewing membership of Committees in consultation with the Committee Chair and recommending any Committee membership changes to the Board for approval.

The matters reserved for the Board and Committees and their terms of reference are reviewed regularly to ensure they reflect current practice and to maximise effectiveness. To maintain independence, no executive Directors are members of the Board Committees. The Committees also hold meetings as required in the absence of members of the executive.

Executive-level meetings

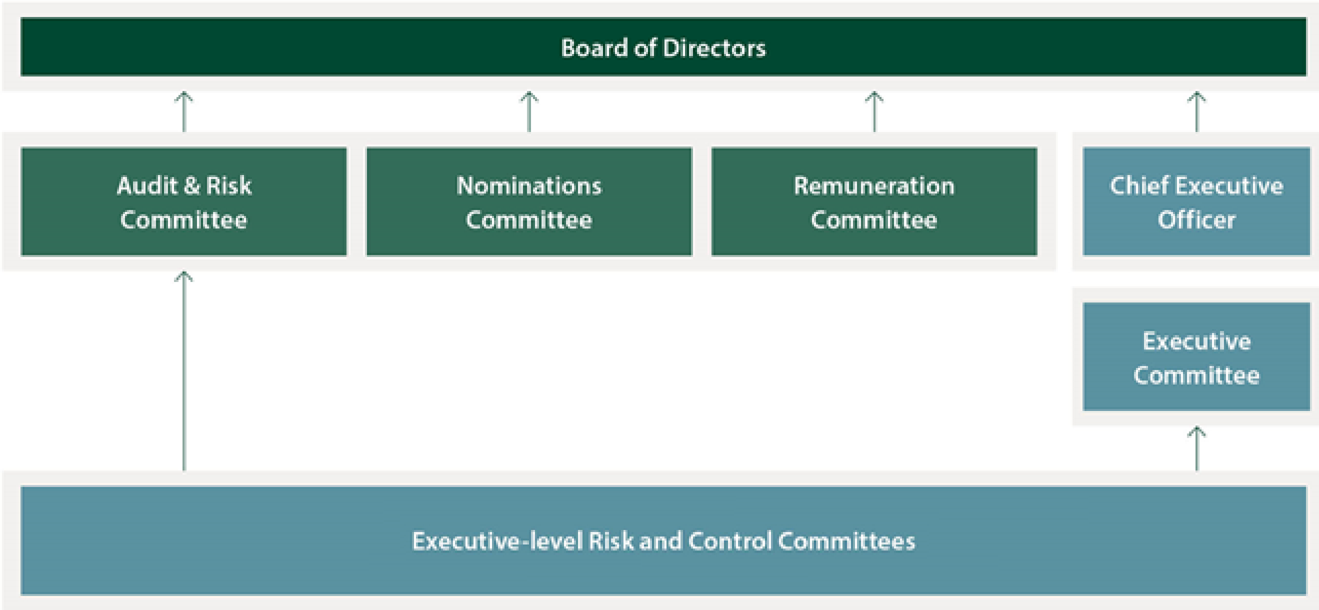
At an executive level, the CEO chairs the Executive Committee, which is a monthly meeting attended by members of the senior management team and is responsible for overseeing the execution of the strategy and the overall management of the Company's business activities. The non-executive Directors receive a copy of the papers and minutes of meetings. Examples of the activities undertaken by the Executive Committee in the year can be found throughout this report.

The Executive Committee is supported by a framework of risk and control committees, which are responsible for considering specific areas of risk. These committees report and escalate matters, as appropriate, to the Executive Committee, and to the relevant Board Committee.

Further information on the responsibilities of the Board Committees and their principal activities in the year can be found as referenced below.

Governance continued

Committee structure



Board activities

During the year, the Board met six times, considered several matters for approval by written resolution, and additionally conducted a series of joint discussions with the Board of SMBC BI in the first half of the year in preparation for the transfer of the securities and employees to SMBC BI. The Directors have also received briefings and participated in facilitated discussions on a range of key topics. The Chairs of the Board and Committees have also received individual briefings on matters relevant to their responsibilities.

The table below sets out an overview of the key areas of focus for the Board in the year.

Responsibility in terms of reference	Areas of focus
Strategy and business	– Development of the corporate strategy in the year in response to changes in the macroeconomic and business environment. The full year strategy was also approved based on discussions held at the Strategy Day and the Board reviews undertaken in the year. – Regular oversight of preparations for the transfer of the Securities business and employees to SMBC BI, and associated considerations for the Company's business strategy and ongoing operations. – Reviewing the status of significant project and change activity. – Consideration of business performance and drivers of performance. – Receiving reports on new products.
Financial	– Approval of the annual report and accounts, IFPR disclosures and the UK Tax Strategy. – Business performance.

Governance continued

Responsibility in terms of reference	Areas of focus
Risk management and internal controls	– Approval of the ICARA documents, including recovery and resolution documentation. – Deep dives into compliance frameworks and consideration of further enhancements, including challenge and discussion of the time allocation of relevant staff, including senior management functions. – Approval of key regulatory compliance items, including the Statement of Compliance with the UK Modern Slavery Act, and the EMEA Anti-Bribery and Corruption Statement.
Governance	– Receiving updates on the Company's subsidiary, SMBC DP. – Approval of strategic plans for the Company's branch in ADGM. – Approval of the establishment of the ARC; and the wind-down of the BRCC and Audit Committee.
People	– Approval of senior management appointments. – Considering and approving diversity and inclusion initiatives. – Received updates on People and Talent Management programmes.
Sustainability	– Considered the challenges and opportunities associated with climate change developments, including sustainable finance and anti-greenwashing measures, and SMBC Group's net zero strategy.
Stakeholders	– Key members of the Board met with the FCA to discuss the content of the annual periodic summary meeting letter and firm evaluation letter. – Update on SMBC Group's Corporate Social Responsibility (CSR) initiatives.

Board Committees

The responsibilities of the Board Committees are set out below, and information on some of their activities in the year can be found throughout the Strategic Report. The membership of the Committees is set out on page 16. Meetings are also attended by relevant executive management on the invitation of the Chair.

Audit & Risk Committee

The ARC's responsibilities include:

- the oversight of risk management processes and reporting, including consideration of key and emerging risks, as well as processes for the annual completion of the ICARA and supporting documentation including recovery and resolution plans;
- oversight of regulatory reporting matters and ensuring compliance with regulatory expectations;
- considering matters related to the preparation and audit of the annual report and financial statements; and
- the oversight of internal financial controls, tax and whistleblowing.

The ARC is also the key governance body which oversees the relationship with the external auditor and safeguards the independence of the Internal Audit function.

Governance continued

Nominations Committee

The Nominations Committee is responsible for assessing and recommending candidates to the Board to fill Board, Senior Manager Function and certain other senior executive management-level vacancies. The Committee is also responsible for matters related to Board and Board Committee composition, performance and skills, and for reviewing Board and senior management succession plans.

Remuneration Committee

The Remuneration Committee is responsible for overseeing the development and implementation of the Company's remuneration policies and practices, which includes specific responsibility for recommending the Remuneration Policy to the Board for approval. The Committee also considers other significant remuneration and human resource matters, such as approval of remuneration for Material Risk Takers and the bonus fund calculation.

Section 172(1) Statement

The Directors are committed to discharging their responsibilities under section 172(1) of the Companies Act 2006 to act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to the factors shown in section 172(1) (a) to (f). This section forms the statement required under section 414CZA of the Companies Act 2006.

The Board recognises that the Company's success is dependent on its stakeholders and that the Company's activities impact its stakeholders in various ways. When presenting to the Board and its Committees, members of management are required to identify in supporting documentation the stakeholder groups relevant to the item, with approval items also requiring confirmation of the section 172(1) factors, which are then considered by the Directors in their discussions and decision-making. Information on how in the year the Directors have had regard to these factors when performing their duty under section 172(1) can be found throughout the Strategic Report, with key references indicated below.

Section 172(1) factor	Further information
(a) likely consequences of any decision in the long term	During the year, the Board monitored business achievements and ongoing activities to ensure progress against the Medium-Term Business Plan. The Medium-Term Business Plan, together with the Board-approved ICARA documents, are prepared on a three-year time horizon. In the year, the Board considered the implications of the decisions taken in connection with the securities and employee transfers, for the Company itself, the impacted employees, the wider business in EMEA and the long-term goals set out in the Group's global strategy. Further information on the linkage between strategy and culture and values can be found on page 22.
(b) interests of employees	The Company no longer has any employees but does receive services from individuals seconded to it and through employees employed by SMBC BI. Further information can be found on page 32.
(c) need to foster business relationships with suppliers, customers and others	Suppliers and customers are identified as key stakeholder groups. Information on how the Company has interacted with these groups can be found on pages 30 and 33.
(d) impact of the company's operations on the community and the environment	The creation of social value is a key part of the SMBC Group's sustainability objectives. The Board monitors the progress of its CSR strategy, and further information on the SMBC Group's community activities can be found on page 23. Information on the way in which the Company monitors the risks and opportunities arising from climate change can be found on page 10.
(e) desirability of the company maintaining a reputation for high standards of business conduct	The Board recognises the need for the Company to exercise high standards of business conduct. Oversight of conduct is exercised primarily through the ARC and the Executive Committee, and information on how they do so is set out on page 26.
(f) need to act fairly as between members of the company	As the Company is a subsidiary of SMBC and Nikko Tokyo, the need to act fairly as between members of the company is less relevant to the Directors' discussions than the other section 172(1) matters. There is close collaboration with SMBC and other member companies of SMBC Group to progress the SMBC Group's overall Mission and Vision. Further information can be found on page 34.

Sustainability and social value

SMBC's Group Mission, shared by the Company, includes contributing to a sustainable society by addressing environmental and social issues. Central to this is the concept of social value creation through which the Group seeks to balance economic growth with the resolution of social issues to achieve 'fulfilled growth' for the benefit of wider society.

Sustainability strategy

SMBC Group defines sustainability as the creation of 'a society in which today's generation can enjoy economic prosperity and wellbeing and pass it on to future generations'. The Company seeks to support the Group's vision of sustainability through its regional sustainability strategy, which is based on four pillars:

Our Customers	Our Solutions
Support customers in their journey to sustainability	Be recognised as a leading provider of green and sustainable finance solutions
Our Business	**Our Impact**
Embed sustainability risk management in our culture, risk appetite and all aspects of our business	Pursue long-term economic growth through social value creation for stakeholders

Further information on the Company's sustainability and social value initiatives can be found below.

Sustainability and social value continued

① Environment

Sustainability strategy: Our Customers – support customers in their journey to sustainability

Given the Company's key client sectors and supported markets, it is exposed to businesses that are natural resources intensive and markets that are at varying stages of regulating environmental and social standards. The Company believes that the most direct means of assisting clients to meet their sustainability goals is by using its long-standing client relationships to help identify their most material sustainability-related issues and opportunities, share insights on sector strategies and leading practice, and offer financing and advisory services for firms to invest in their performance.

Sustainability strategy: Our Solutions – recognised as a leading provider of green and sustainable finance solutions

The Company has put in place procedures, employee training and a governance process to facilitate ESG-labelled transactions that are aligned to market standards.

② Social, people and communities

Sustainability strategy: Our Impact – pursue long-term economic growth through social value creation for stakeholders

SMBC Group's current Medium-Term Business Plan emphasises the Group's commitment to pursuing economic value and creating social value.

Human rights and modern slavery

During the year, the Board reviewed and approved the Company's Slavery and Human Trafficking Statement, and this has been signed by the CEO on behalf of the Board and is available on the Company's website.

People and culture

The Company recognises that equity, fairness and transparency are key to enabling our colleagues to be their most authentic selves at work. The Company now has no employees, and therefore people and culture initiatives are progressed by SMBC BI. Further information on this can be found in the annual report of that company. The activities undertaken by the Board and its Committees to oversee and contribute to such initiatives can be found in the Stakeholder Engagement section on page 30.

Diversity, Equity and Inclusion (DEI) strategy

During 2024, the Company and SMBC BI launched a new DEI strategy following consultation with the Board, Executive Committee, Diversity & Inclusion Steering Committee and representatives from across the Company. Our vision is to harness the power of our difference to serve our customers, communities and each other. Information on this can be found in the SMBC BI annual report (www.smbcgroup.com/emea/notices-reporting/corporate-disclosures).

Culture

The Company promotes high ethical standards and a culture where everyone feels able to be their authentic selves at work. The Company's culture is based on five pillars which are designed to both reflect the current situation and be aspirational for the future:

1) Provide an excellent service to customers and colleagues through collaboration, teamwork and a sense of shared purpose.
2) Build the Company's brand by being a reliable and trusted partner to its customers and contribute positively to the societies in which it operates.
3) Protect the Company's customers and markets by conducting its business in a transparent, prudent and compliant manner.
4) Treat each other with respect and integrity and embrace diversity in all its forms.
5) Be focused, creative and proactive in evolving the business to meet new challenges.

The Board sets the tone for Company's culture, and the CEO is responsible for it. During the year, all the Company's employees transferred to SMBC BI, and the Board has maintained an interest in the Group's culture as a whole. Recognising the evolution of regulatory and corporate governance expectations on culture, during the year and after the year-end, the Board received updates on the development of the SMBC culture framework applicable to colleagues undertaking work on behalf of the Company.

Sustainability and social value continued

Communities

The Company and SMBC BI recognise the importance of making a positive contribution to the societies in which they operate. SMBC BI encourages all employees to think about how they can create social value as part of their day-to-day roles. It offers colleagues a variety of ways to support and engage with community activities, including a paid volunteering allowance, matched funding of employee donations (up to a certain limit), and a Give-As-You-Earn salary sacrifice scheme. Further information on these activities can be found in SMBC BI's annual report.

Sustainability and social value continued

③ Operations, compliance and anti-bribery and corruption

Sustainability strategy: Our Business – embed sustainability risk management in our culture, risk appetite and all aspects of our business

Risk management

The Company recognises sustainability risk as a key component of the risk landscape. During the year, the Company continued to enhance the governance over the way it assesses this risk with the support from the Sustainability Risk Management Committee and the regional Sustainability Risk Framework. This Framework facilitates integration of sustainability risk into the wider risk management framework and will evolve in line with regulatory requirements and market best practices.

The Company considers sustainability risk, including climate change, in the same manner as all risk types, through the IMMMR approach and uses the three Lines of Defence model to manage risk across the business.

The Company's sustainability risk priorities are:

- Governance: enabling management and the Board to effectively oversee sustainability risk management and strategy integration.
- Risk management: development and implementation of risk management policies, processes and portfolio monitoring.
- Data, tools and reporting: continued enhancement to the IMMMR approach for sustainability risk.

Compliance Policy framework

This framework aims to help everyone who works for the Company to understand good conduct, positive behaviours and how to raise and address concerns. The policies set out the Company's approach to the identification, understanding and management of conduct risk at individual, product, departmental and organisational levels. They also explain that conduct applies to both financial and non-financial behaviours and that conduct is recognised as being closely linked to the Company's values, culture and an environment of psychological safety. Policies are regularly reviewed and conduct-related key risk indicators reported to senior management, including at the ARC.

Prevention of financial crime

The Company has no appetite for serious, repeated or material violations of the spirit or letter of applicable laws, rules, regulations and industry guidance in relation to financial crime, including money laundering, terrorist financing, proliferation financing, bribery and corruption, fraud, tax evasion, slavery and human trafficking, and non-compliance with financial sanctions. The Company has developed, and will continue to develop, financial crime-related systems and controls for mitigating financial crime risks, including policies, standards, procedures, guidance, training and risk assessment models. All SMBC BI employees are required to adhere to that company's prevention of financial crime policies, on which they receive training on joining and annually thereafter. The Money Laundering Reporting Officer reports at least annually to the ARC on the operation and effectiveness of the arrangements to counter the risk of the Company being used to further financial crime.

Sustainability and social value continued

Operational emissions (Streamlined Energy and Carbon Reporting)

The UK Government's Streamlined Energy and Carbon Reporting (SECR) Policy was implemented on 1 April 2019. The Company meets the SECR qualification criteria in the UK and, as in previous years, is reporting emissions from its operations using the financial control approach.

Under the reporting requirements, the Company has measured mandatory Scope 1, 2 and 3 emissions for UK operations of the Company within the financial reporting period of 1 April 2024 to 31 March 2025. This includes energy consumption associated with premises occupied, energy associated with data centres and business travel for UK-based employees (including fuel associated with grey fleet). Furthermore, water and waste emissions associated with the headquarters building are also voluntarily provided.

	FY2024	FY2023
Total energy use (MWh)*	**174**	359
Total GHG emissions Scope 1 and 2 (location-based tCO_2e)	**35**	73
Total GHG emissions Scope 1 and 2 (market-based tCO_2e)	**0**	9
Total SECR mandatory GHG emissions (location-based tCO_2e)	**35**	73
Total SECR mandatory GHG emissions (market-based tCO_2e)	**0**	9
– Of which Scope 1 (location-based tCO_2e)	**3**	9
– Of which Scope 1 (market-based tCO_2e)	**–**	–
– Of which Scope 2 (location-based tCO_2e)	**32**	64
– Of which Scope 2 (market-based tCO_2e)	**0**	0
– Of which Scope 3 (grey fleet tCO_2e)	**0**	0
Total Scope 3 emissions (tCO_2e)**	**688**	1,068
Emissions per employee (tCO2e/FTE)	**0.34**	0.38

* Total energy use includes gas, electricity consumption associated with leased offices and data centres, plus fuel from grey fleet: emissions from business travel in rental cars or employee-owned vehicles.

** Total Scope 3 emissions include the mandatory SECR requirements (fuel from grey fleet) and voluntary categories of business travel, electricity including transmission and distribution losses, waste and water emissions.

The 2024/25 SECR footprint is equivalent to 35 tCO_2e, with the largest portion being made up of emissions from purchased electricity at 32 tCO_2e. Overall, total gross emissions have decreased by 51% since the previous reporting year.

The intensity ratio is 0.34 tCO_2e per full-time equivalent, which is a decrease of 9% from the previous reporting year.

The reduction in Scope 1 and Scope 2 emissions are largely due to the decrease in full-time employees from the previous reporting year.

Boundary

Included within its boundary are Scope 1 and 2 emissions, as well as Scope 3 emissions. UK Government's GHG Conversion Factors for Company Reporting have been used as part of the carbon emissions calculation. The Company has used the UK Government GHG-conversion-factors-2024 version 1.0.

Methodology

The methodology the Company uses to account for its operational emissions aligns with the GHG Protocol Corporate Accounting & Reporting Standard. The Company uses the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1 April 2024 to 31 March 2025.

Statement of Corporate Governance arrangements

The Board is committed to maintaining high standards of corporate governance within the Company, and for the year-ended 31 March 2025 has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles). Information on how the Wates Principles have been applied can be found as follows:

Principle 1 – Purpose and leadership

Strategy setting

The Board is responsible for setting the Company's strategy, which it does through an annual process involving:

- consideration by the Board of high-level strategic focus areas, including those of SMBC Group;
- a strategy meeting involving the Boards and senior management of the Company, SMBC BI and SMBC EU where a series of strategic themes are discussed; and
- review and challenge of the Budget and Business Plan and associated strategic considerations.

Once approved, the development of the strategy and achievement of strategic priorities are discussed by the Executive Committee and other senior executive-level meetings held throughout the year. These discussions are, as relevant, escalated quarterly to the Board by the CEO or business heads.

Purpose and values

The Company's purpose to be 'a trusted partner for the long term' is central to its strategy and reflects the long-term relationship-based approach the Company adopts in carrying out its business for the benefit of its stakeholders. The Purpose Statement is underpinned by five values set at SMBC Group level, which form a framework that helps guide corporate and individual behaviours and are central to the Company's culture. When submitting matters to the Board for approval, executives are required to explain how each matter relates to and is consistent with the Purpose Statement.

Long-term relationships are central to the Company's purpose, and the Board recognises that to earn the trust of its stakeholders and achieve its sustainable growth objective, it must exercise high standards of business conduct. Oversight of conduct is achieved primarily through the ARC (having taken over this responsibility from the BRCC), the Executive Committee and the Control & Conduct Assessment Forum, which during the year have considered metrics related to the conduct of employees, and those providing services to the Company.

Deep-dive reviews were also undertaken where the Board or BRCC deemed necessary.

Sharing progress

Information on our strategy, progress made, significant transactions undertaken and examples of initiatives demonstrating our values are shared regularly with colleagues by the CEO and other senior executives through town halls, intranet articles and emails. We believe this helps foster a sense of shared purpose and teamwork and enables colleagues to celebrate individual and Company-wide successes.

Principle 2 – Board composition

Board size and structure

At the date of signing the financial statements, the Board comprised six Directors. The non-executive Directors, Mr Garvey and Ms Turner, are deemed independent as they have no material business or other relationships with the Company that could influence their exercise of independent judgement. Mr Miura is nominated by the Company's shareholder and Mr Kawafune is Head of SMBC's EMEA Region, and therefore, while non-executive Directors, they are not deemed independent.

The Board recognises the importance of a clear division of responsibilities between executive and non-executive roles and in particular a clear delineation of the Chair's responsibility to lead the Board and the CEO's responsibility for running the business.

The Board also considers the length of service when assessing its composition. It would be expected that no non-executive Director would serve beyond nine years from their date of appointment.

Board roles

Chairs

The Board and Committee Chairs are responsible for the effective operation of their meetings, including that members act as a team and that debate is encouraged and facilitated, whilst achieving closure of items. They are also responsible for ensuring that appropriate time is allocated for the

Statement of Corporate Governance arrangements continued

consideration of agenda items and that members have sufficient time to consider issues and obtain answers to questions or concerns and are not faced with unrealistic deadlines for decision-making. They are also responsible for overseeing the receipt of clear, accurate and timely information. Committee Chairs are responsible for reporting to the Board the activities of their Committee and for recommending items to the Board for approval as required.

Non-executive Directors

The non-executive Directors are responsible for the provision of independent judgement on all matters related to the Company's strategic direction, leadership, performance, resources, risk management and overall governance. They are also expected to constructively challenge and test strategic proposals.

Executive Directors

The executive Directors, under the leadership of the CEO, are responsible for running the business, and for implementing the strategies approved and other decisions taken by the Board. They are also required to be knowledgeable about all aspects of the business even if they are responsible for a particular area of the business.

Diversity

The Board has in place a Diversity Policy which states that a target of at least 25% of the Board will be made up of women, while also ensuring an appropriate mix of skills, experiences and competencies on the Board. The Board also commits to taking positive action to source applications from under-represented groups. At the end of the year, female representation on the Board was 17% of the Directors. All candidates considered for appointment to Board positions are evaluated for their competence in relation to diversity, equality and inclusion.

Board appointments

The Nominations Committee is responsible for assessing and recommending Director candidates to the Board for approval. As part of this process, the Committee considers a candidate's skills, experience and values and has regard to the level of diversity, experience and competency of the Board.

During the year, on the recommendation of the Nominations Committee, the Board approved the appointment of Mr Miura as a non-executive Director following the reassignment of Mr Yazawa to another role within SMBC Group. Mr Miura joined the Board on 18 July 2024 and brings extensive business experience to the Board, having previously worked as the Company's Head of Securities Products Group from 2017 to 2019, followed by senior leadership positions in entities in the USA and Japan where he guided SMBC Nikko's international business strategies.

The Nominations Committee recommended the appointment of Mr James Garvey upon the resignation of Ms Jackson. The Board approved Mr Garvey's appointment as Chair of the Board on 1 October 2024. Mr Garvey has significant commercial and investment banking experience, having previously been head of European Fixed Income Origination at UBS, head of EMEA Debt Capital Markets at Goldman Sachs and head of Capital and Traded Markets at Lloyds Banking Group. He is also a Director of SMBC BI.

Board professional development

The Chair is responsible for leading the development and monitoring the effective implementation of policies and procedures for the induction, training and professional development of members of the Board. These policies set out that upon joining the Board, Directors are to be given a personalised induction and development plan, with ongoing education provided to the whole Board throughout the year. Topics for these briefings are identified through suggestions received from individual Directors or senior management, or through formal Board and Committee discussions, and are ultimately agreed by the Chair. In the year, briefings were provided to the Board on developments in AI technologies and their application in the financial services sector, the cyber threat environment, and macroeconomic and sectoral trends.

Statement of Corporate Governance arrangements continued

Principle 3 – Director responsibilities

Accountability

The Directors each have in place an annually reviewed role description document and, as required by the Senior Managers Regime (SMR), a Statement of Responsibilities. Annually, the Company performs an assessment to confirm that all Directors, and other individuals in the scope of the SMR, remain fit and proper to perform their roles.

Independence

All Directors are required annually to complete a questionnaire through which any potential conflicts of interest are identified. The independent non-executive Directors are required to seek the approval of the Company and SMBC in advance of them being appointed as a director of any other company so that any potential conflicts of interest with the Company can be identified and, as necessary, managed.

Conflicts of interest are also considered at each meeting so that these can be identified and managed on a case-by-case basis. Where conflicts are identified in cases where individuals serve as directors of multiple SMBC Group entities, individuals will recuse themselves from voting where appropriate.

Integrity of information

Multiple systems capture, record, process and store the financial and non-financial information used for Board, Committee and corporate reporting. The Company continually enhances its controls over these systems to ensure accuracy is maintained and to improve simplicity and transparency. The data used for reporting is subject to internal and external audit review and, as deemed necessary, external assurance review. During the year, the ARC (and before January 2025, the Audit Committee) received quarterly reports on the effectiveness of the Company's internal financial controls.

Independence of external audit arrangements

The ARC is responsible for managing the Company's relationship with its external auditor, KPMG LLP, and for ensuring that it remains independent of the Company; including ensuring that the lead external audit partner rotates at least every 10 years. During the year, the ARC (and before January 2025, the Audit Committee) met the audit partner in the absence of executive management, and private meetings were also held between the Committee Chair and the audit partner. Through these meetings, any matters of concern can be escalated.

The ARC has concluded that, during the year and to the date of their report, KPMG remained independent of the Company. It reached this view following presentation to the Committee of a letter by the audit partner in which it was confirmed that KPMG's procedures to safeguard their independence and objectivity and to provide non-audit services were consistent with the relevant FRC Ethical Standards.

Information on the roles of the Board Committees can be found on page 16.

Principle 4 – Opportunity and risk

Opportunity

The Company continually considers ways in which it can better serve its customers. Opportunities to expand the business into new sectors, products or markets are considered in conjunction with risk appetite. Where these opportunities require the development of new products or services, this is overseen through an approval process that involves relevant stakeholders across the Company and ultimately approval by the Product Approval Committee. Opportunities to develop the business also arise from enhancements to our operational and support processes. In both cases, significant and/or long-term strategic opportunities are considered by the Board based on presentations from the relevant senior executive.

Risk

The Company's key risks are outlined in Principal Emerging Risks and Uncertainties on page 6.

The Board is responsible for setting the Risk Appetite Statement annually and for establishing a framework of controls that enables risk to be managed and assessed in line with appetite. Further information on the framework implemented can be found in the section headed Risk Management on page 6. The Board delegates the ongoing monitoring of the effectiveness of risk management and internal controls to the ARC and receives regular reports from the Committee on the work undertaken. In addition, all Directors are invited to attend ARC meetings to promote a common understanding amongst the Board of the principal risk matters impacting the Company.

Risk appetite is developed alongside the corporate strategy and embedded within capital and liquidity planning, including the annual ICARA documentation, Recovery Plan and Resolution Pack and Solvent Wind Down Plan, all of which were approved by the Board in the year.

Statement of Corporate Governance arrangements continued

The Chief Risk Officer (CRO) is responsible for the formation and execution of Firm-wide risk strategies and policies that are consistent with risk appetite measures and business strategy. The CRO oversees all major risks to which the Company is or could potentially be exposed and reports to the ARC and Executive Committee. The CRO is also invited to attend Board meetings and advises on risk matters as required.

Other senior executives involved in overseeing the management of risk include the Chief Compliance Officer, who is responsible for the formation and execution of Company-wide compliance risk strategies and policies and for overseeing the Company's external and internal compliance with the regulators' financial crime and conduct requirements, and the General Counsel, who is responsible for the management of the Legal function and for advising senior management and the Board on legal, regulatory, strategic and any other matters.

Principle 5 – Remuneration

The Remuneration Committee's responsibilities include overseeing the development and implementation of the Company's remuneration policies and practices. Information on the activities undertaken by the Committee in the year can be found throughout this report.

The Company's approach to fixed and variable rewards is set out in a Remuneration Policy, an updated version of which was approved by the Remuneration Committee and Board in the year. With limited exceptions, this Policy does not apply to employees of Nikko Tokyo seconded to the Company, the remuneration of whom is governed by rules established by SMBC in Japan.

The Policy aims to support the Company's long-term aims and seeks to encourage long-term stability and sustainability, particularly of the capital base, and promote steady growth and keen risk awareness. To ensure this:

- On 1 August 2024, all the Company's employees were transferred to SMBC BI. All employees of SMBC BI are eligible to participate in the annual performance-related bonus scheme. Where SMBC BI employees carry out work on behalf of the Company, the Remuneration Committee approves variable pay outcomes which reflect the performance of the Company, relevant department and both the contribution and conduct of the employee. The Remuneration Committee assessed the risk adjustments inherent within the overall bonus pool calculation to ensure these took suitable account of the Company's performance in the year and the current and future risk environment. The CRO was invited to attend relevant parts of Committee meetings to allow full discussion and challenge to take place in order to ensure that the adjustments were well considered and appropriate.
- Performance of the most senior individuals was assessed using a balanced scorecard to drive sustainable business performance. The scorecards included financial goals, non-financial goals linked to the Group's five cultural pillars (including ESG and DEI targets), as well as an assessment of the individual's conduct. In addition, the Remuneration Committee reviewed and approved the variable and salary awards made to all Material Risk Takers.

Principle 6 – Stakeholder relationships and engagement

Stakeholders – overview

The Company's key stakeholders are those groups that most materially impact the Company's strategy or are impacted by it and are:

- **Customers**
- **Environment and community**
- **Colleagues**
- **Suppliers**
- **Regulators**
- **SMBC Group**

Statement of Corporate Governance arrangements continued

Stakeholder engagement

The Board delegates to management the authority to run the business on a day-to-day basis and to execute the strategy approved by the Board. The Company therefore engages with stakeholders in many ways and at all levels of the business to understand their needs, priorities and concerns. These interactions take place in the context of the strategies and policies set by the Board and its Committees, and significant interactions are reported as necessary to those meetings. The Board also actively seeks opportunities to engage directly with stakeholders. Set out below are examples of engagement that has occurred in the year and the impact of that engagement. This complements the information shown elsewhere within the Strategic Report.

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
Customers		
'Customer first' is one of the Company's core values and it seeks to build its brand by being a reliable and trusted partner to its customers, providing quality and innovation through our products and services.	– The Company engages with its customers on a continuous basis to understand their needs and to inform them of the Company's strategy and operations and the impact upon them. – Interaction is primarily through relationship managers and product specialists, but the CEO and other members of the senior management meet customers to develop strategic partnerships. – The Company frequently hosts customer seminars and seeks to provide value-added services. Topics in the year have included energy transition and the role of financial innovation, and the use of technology in trade finance. – The Company arranges roadshows throughout the year to introduce issuers to potential investors and facilitate knowledge-sharing and widening the recognition of investor names amongst the client base.	– Significant interactions and notable transactions are reported to the Board as required, along with consideration of how the business strategy will enable the Company to better meet the needs of existing and potential customers. – Information on any expressions of dissatisfaction are considered at ARC and Executive Committee meetings. – Through our programmes and initiatives, the Company strengthens its customer relationships and visibility by offering expertise, networking opportunities and strategic insights.

Statement of Corporate Governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
Environment and community		
The Company recognises the importance of working towards building and sustaining a better world. It aims to create social value by balancing economic growth with initiatives aimed at tackling social issues.	– The Board and its Committees, supported by the EMEA Sustainability Programme, have been actively engaged in overseeing and developing the Company's sustainability capabilities in the year. Further information on this can be found on pages 21 to 25. – Information on the steps being taken to operate more sustainably is made available to colleagues through the intranet, with specific material available for front office colleagues on how they can best support the Company's customers.	– Sustainability initiatives focus on aligning our physical operations with our sustainability goals, helping us reduce our environmental impact and enhance our sustainability performance. – Direct engagement with students underscores our commitment to educating future leaders and contributing to the growth of upcoming finance professionals.

Statement of Corporate Governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
Colleagues		
The Company regards its people as its key asset and recognises they are central to the Company achieving its sustainable growth objective.	– As part of the transfer of the Securities business, on 1 August 2024 all employees of the Company were transferred to SMBC BI. The Board continues to take an interest in the experiences of Group colleagues who perform activities on behalf of the Company: – When considering the transfer of the Securities business, the Directors were keen to ensure that the Board would retain some oversight of the former employees who would transfer to SMBC BI. The Directors requested that a presentation be submitted to the Board six months after the transfers to ensure that all processes were working as intended, and this discussion took place following the FY24 year-end. – After the year-end, the Board also received reports covering the results of SMBC BI's colleague feedback survey, including analysis of responses by gender. This enabled the Board to understand what the Group was doing well and to identify areas where further improvements could be made to support colleagues in their everyday work. A report was also discussed by the Board on the culture across EMEA to allow the Directors to maintain their understanding of employee attitudes, ways of working and the areas which are most important to our people. – To ensure oversight of talent management, career progression and longer-term succession planning, during the year the Nominations Committee reviewed succession plans for Directors as well as those for executives and senior managers. – In addition to attending Board events, Directors have participated in events at both individual department level and more broadly. – Colleagues are encouraged to raise concerns about incidents of wrongdoing or suspected malpractice (financial and/or non-financial) through the Speak Up framework. There are various internal and external channels available to raise concerns which include an independent firm working in partnership with the Company through which reports can be raised anonymously.	– Areas of focus for the Board and the Nominations Committee in the year have included diversity and inclusion, talent management and career progression. Additional insights have been provided through individual briefing meetings with non-executive Directors. – The results of colleague interactions are used by the Company to inform the approach to talent management and employee mobility, overseen by the Nominations Committee. – The ARC reviews any themes identified through Speak Up reports received to understand whether this gives any indication of potential risk issues across the Company.

Statement of Corporate Governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
Suppliers		
The Company relies upon external suppliers to provide certain products or services that assist it in the running of its business. Suppliers are engaged for a variety of reasons, including the provision of expertise or resource that the Company may or may not possess itself.	– Engagement with suppliers is overseen by a dedicated team that supports those executives requiring supplier services. Third party risk management and procurement processes are in place for such arrangements, which include pre-contracting vendor selection and due diligence processes. These checks include steps relating to compliance with laws and third party regulations, such as cyber, anti-bribery and corruption, and operational resilience, in addition to cost management controls. – The Board annually reviews and approves the Company's Statement of Compliance with the UK's Modern Slavery Act 2015. Anti-slavery checks are included as part of due diligence processes, including the supply chains of vendors and other counterparties.	– Management approval and regulatory notification is required for those engagements that are determined as critical. Post contracting, ongoing monitoring of suppliers is undertaken where particular focus is given to those relationships subject to applicable regulation and the Company's Third Party Risk Management Framework. – The underlying Third Party Risk Management Framework has been updated in the year in response to current and emerging regulatory change. – During the year, the Company paid 84% of its invoices within 30 days, with the average being payment within 25 days.

Statement of Corporate Governance arrangements continued

Regulators		
The Company is required to comply with its regulator's rules and to ensure the integrity of the financial markets in which it operates. The Board recognises that failure to comply with these requirements will impact the Company's ability to carry out its business and serve its customers.	– The Directors and certain members of the Executive Committee regularly met representatives from the regulator during the year as part of its continuous assessment activities. – At an executive level, the SMBC Group benefits from SMBC BI's Public Affairs function through which the Company identifies and engages on regulatory and industry change that may impact the Company's business. – The Company uses a horizon scanning tool to support its proactive engagement with and preparation for upcoming regulatory change.	– The Board and its Committees have overseen the Company's response on matters of significance to the Company and its regulator, including matters raised affecting the Group's overseas entities and Head Office. All relevant regulatory communication is reported to the Board on a quarterly basis.

SMBC Group		
The Company recognises the importance of the role it plays to further the Mission and Vision of SMBC Group, particularly through the expansion of the SMBC Group's franchise in EMEA and provision of services to a number of SMBC Group companies in EMEA. The Company has therefore identified SMBC Group as a key stakeholder.	– The Company engages closely with SMBC and SMBC Group affiliated companies at all levels. A representative of the shareholder, Mr Miura, is appointed to the Board and acted as a link between the Board and SMBC Group on matters requiring SMBC Group input. – The independent non-executive Directors regularly met senior executives of SMBC Group and participated in EMEA-wide strategic discussions. Senior management from the Company's parents visited the London office at regular intervals throughout the year to meet management and representatives from the business to ensure full understanding of the EMEA business environment and the initiatives underway within the region. – The executive Directors join regular executive-level meetings to discuss the Company's business activities and the development of business strategy. Additionally, regular reporting of SLA KPI performance from SMBC BI is considered at the monthly meeting of the Executive Committee.	– The executive Directors are also appointed to the Boards of other SMBC Group companies in EMEA, including the main affiliates SMBC DP and SMBC EU. – Business strategy developed in close consultation with shareholder and SMBC BI.

Statement of Corporate Governance arrangements continued

Approved by the Board of Directors and signed by order of the Board.

Antony Yates
Director

21 July 2025

Directors' Report

The Directors submit their Report and the audited financial statements for the year-ended 31 March 2025.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this Report, can be found as follows:

Other information	Section	Page
Likely future developments	Review of the Year	**3**
Managing risk	Risk Management	**6**
Principal and emerging risks	Risks and Uncertainties	**6**
Policy on the employment of disabled persons	People and Culture – Diversity and Inclusion	**22**
Streamlined Energy and Carbon Report	Sustainability and Social Value	**25**
Statement of corporate governance arrangements	Corporate Governance	**26**
Engagement with employees	Corporate Governance	**32**
Engagement with suppliers, customers and other stakeholders	Corporate Governance	**30 – 34**
Financial instruments	Note 1 to the financial statements	**53**
Hedge accounting	Note 1 vi) to the financial statements	**55**

Results and dividends

The Company recorded a profit of USD 8.5 million for the year-ended 31 March 2025 (2024: loss of USD 2.1 million). No dividends have been declared or paid by the Company on either the Ordinary or Preference shares in the year and the Directors do not recommend the payment of a final Ordinary dividend.

Directors

The list of current Directors can be found in the Corporate Governance Report on page 16. Changes to the Directors during the year and up to the signing of this Report are set out below.

Name	Position	Effective date of appointment / resignation
Patricia Jackson	Independent Non-Executive Director	Resigned 30 September 2024
Stephen Souchon	Independent Non-Executive Director	Resigned 31 December 2024
James Garvey	Independent Non-Executive Director	Appointed 1 October 2024
Takahiro Yazawa	Non-Executive Director	Resigned 18 July 2024
Bungo Miura	Non-Executive Director	Appointed 18 July 2024
Mehul Desai	Executive Director	Appointed 1 April 2024

During the financial year, the independent non-executive Directors benefitted from qualifying third-party indemnity provisions and these provisions remain in place at the date of this Report. The Company has directors' and officers' liability insurance in place in respect of certain losses or liabilities to which the Company's officers may be exposed in the discharge of their duties.

Political donations

The Company made no political donations or contributions during the year (2024: nil).

Overseas office

At the date of signing this Report, the Company had one overseas subsidiary, based in Hong Kong.

Research and development

The Company develops new products and services in the ordinary course of its business. The Company's policy is that any new or potentially new product or service is subject to a risk assessment and monitoring process.

Directors' Report continued

Going concern

The Directors believe that the Company has adequate financial resources and is well placed to manage its business risks successfully despite the current uncertain business outlook. In addition, the Directors believe the Company will be able to continue in operation and meet its liabilities, taking into account its current position and the principal risks faced, over a period of at least 12 months from the date of approval of these financial statements.

In making this assessment, the Directors have considered a wide range of detailed information as set out in note 1 to the financial statements and have concluded that the Company has adequate resources to continue operations for a period of at least 12 months from the date of these financial statements, and therefore it is appropriate to adopt the going concern basis.

Disclosure of Information to Auditor

Each person who is a Director of the Company as at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with section 487(2) of the Companies Act 2006, KPMG LLP is deemed reappointed as the Company's auditor.

Approved by the Board of Directors and signed by order of the Board.

Antony Yates
Director

21 July 2025

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and financial statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law. .

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to ;iquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed by order of the Board.

Antony Yates
Director

21 July 2025

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited

Opinion

We have audited the financial statements of SMBC Nikko Capital Markets Limited ("the Company") for the year ended 31 March 2025 which comprise the Group statement of profit or loss, Group statement of comprehensive income, Group statement of financial position, Company statement of financial position, Group statement of changes in equity Company statement of changes in equity, Group statement of cash flows, Company statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2025 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Review of the Group's internal audit reports and Board minutes of the Group
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition due to the systemized nature of trading revenue streams.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluated the design and implementation and operating effectiveness of relevant internal controls; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors responsibilities

As explained more fully in their statement set out on page 38, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Voyle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London, E14 5GL

United Kingdom

Date: 21 July 2025

SMBC Nikko Capital Markets Limited
Group Statement of Profit or Loss

For the year ended 31 March 2025

	Notes	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Net trading income		**43.2**	104.5
Fees and commissions income		**81.7**	97.7
Fees and commissions expense		**(34.4)**	(35.9)
Net fees and commissions income		**47.3**	61.8
Interest income	2	**685.5**	722.9
Interest expense	3	**(626.9)**	(679.5)
Net interest income		**58.6**	43.4
Total income		**149.1**	209.7
Staff costs	4	**(52.0)**	(75.6)
Depreciation and amortisation	16, 17	**(4.1)**	(6.9)
Other operating expenses	6	**(97.2)**	(106.3)
Operating expenses		**(153.3)**	(188.8)
(Loss)/profit before taxation		**(4.2)**	20.9
Taxation	7	**(18.1)**	(14.5)
(Loss)/profit for the financial year, comprising		**(22.3)**	6.4
(Loss)/profit from continuing operations		**(38.4)**	7.6
Profit/(loss) from discontinued operations	34	**16.1**	(1.2)
Company profit/(loss) for the financial year, comprising		**8.5**	(2.1)
Loss from continuing operations		**(7.6)**	(0.9)
Profit/(loss) from discontinued operations	34	**16.1**	(1.2)

Group profit for the financial year is entirely attributable to the equity holders of the parent.

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Comprehensive Income

For the year ended 31 March 2025

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Profit for the financial year	**(22.3)**	6.4
Other comprehensive income, net of tax, including		
items that will be reclassified to profit or loss:		
– Net gains/(losses) from cash flow hedges, net of tax	**0.4**	(1.8)
– Net gains on financial assets held at fair value through other comprehensive income (FVOCI)	**4.6**	4.2
Total comprehensive income for the financial year attributable to equity holders of the Group	**(17.3)**	8.8

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Financial Position

As at 31 March 2025

	Notes	31 March 2025 USDm	31 March 2024 USDm
Assets			
Cash at banks	9	**698.1**	1,012.4
Investment securities	10	**911.1**	2,446.8
Derivative assets	11	**9,149.8**	12,265.2
Other trading assets, at fair value	12	**37.2**	59.1
Securities purchased under agreements to resell	13	**3,026.4**	12,888.9
Collateral placed	14	**1,987.0**	2,939.0
Other debtors	15	**86.9**	310.9
Intangible assets	16	**5.2**	17.4
Property, plant and equipment	17	**1.6**	4.2
Deferred tax asset	7	**0.3**	3.4
Total assets		**15,903.6**	31,947.3
Liabilities			
Securities sold, not yet purchased	10	**–**	965.9
Derivative liabilities	11	**8,968.9**	12,083.8
Other trading liabilities, at fair value	12	**130.9**	175.4
Securities sold under agreements to repurchase	13	**2,208.9**	11,012.2
Collateral received	18	**2,675.1**	3,422.3
Other creditors	19	**59.0**	2,409.6
Total liabilities		**14,042.8**	30,069.2
Net assets		**1,860.8**	1,878.1
Equity attributable to equity holders of the parent			
Called up share capital	20	**1,139.0**	1,139.0
Share premium		**165.0**	165.0
Retained earnings		**552.9**	575.2
Other reserves		**3.9**	(1.1)
Total equity		**1,860.8**	1,878.1
Included in the above are items held for sale			
Assets	34	**–**	15,020.2
Liabilities	34	**–**	12,183.0

The notes on pages 51 to 102 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 July 2025 and were signed on its behalf by:

Antony Yates
Director

Company number 02418137

SMBC Nikko Capital Markets Limited
Company Statement of Financial Position

As at 31 March 2025

	Notes	31 March 2025 USDm	31 March 2024 USDm
Assets			
Cash at banks	9	**476.5**	756.8
Investment securities	10	**861.2**	2,396.8
Derivative assets	11	**9,124.1**	12,230.2
Other trading assets, at fair value	12	**37.2**	59.1
Securities purchased under agreements to resell	13	**3,026.4**	12,888.9
Collateral placed	14	**1,987.0**	2,939.0
Other debtors	15	**95.1**	319.5
Investment in subsidiary undertaking	32	**202.0**	202.0
Intangible assets	16	**5.2**	17.4
Property, plant and equipment	17	**–**	1.9
Deferred tax asset		**0.5**	3.4
Total assets		**15,815.2**	31,815.0
Liabilities			
Securities sold, not yet purchased	10	**–**	965.9
Derivative liabilities	11	**8,943.3**	12,049.0
Other trading liabilities, at fair value	12	**130.9**	175.4
Securities sold under agreements to repurchase	13	**2,208.9**	11,012.2
Collateral received	18	**2,649.4**	3,388.8
Other creditors	19	**52.1**	2,406.6
Total liabilities		**13,984.6**	29,997.9
Net assets		**1,830.6**	1,817.1
Equity attributable to equity holders of the parent			
Called up share capital	20	**1,139.0**	1,139.0
Share premium		**165.0**	165.0
Retained earnings		**522.7**	514.2
Other reserves		**3.9**	(1.1)
Total equity		**1,830.6**	1,817.1
Included in the above are items held for sale			
Assets	34	**–**	15,020.2
Liabilities	34	**–**	12,183.0

The notes on pages 51 to 102 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 July 2025 and were signed on its behalf by:

Antony Yates
Director

Company number 02418137

SMBC Nikko Capital Markets Limited
Group Statement of Changes in Equity

For the year ended 31 March 2025

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2023	1,139.0	165.0	568.8	1.4	(4.9)	1,869.3
Profit for the year	–	–	6.4	–	–	6.4
Net losses arising on cash flow hedges	–	–	–	(1.8)	–	(1.8)
Net gains arising on financial assets held at FVOCI	–	–	–	–	4.2	4.2
Total comprehensive income for the year	–	–	6.4	(1.8)	4.2	8.8
At 31 March 2024	1,139.0	165.0	575.2	(0.4)	(0.7)	1,878.1
At 1 April 2024	**1,139.0**	**165.0**	**575.2**	**(0.4)**	**(0.7)**	**1,878.1**
Loss for the year	**–**	**–**	**(22.3)**	**–**	**–**	**(22.3)**
Net gains arising on cash flow hedges	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Net gains arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**4.6**	**4.6**
Total comprehensive income for the year	**–**	**–**	**(22.3)**	**0.4**	**4.6**	**(17.3)**
At 31 March 2025	**1,139.0**	**165.0**	**552.9**	**–**	**3.9**	**1,860.8**

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Company Statement of Changes in Equity

For the year ended 31 March 2025

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2023	1,139.0	165.0	516.3	1.4	(4.9)	1,816.8
Profit for the year	–	–	(2.1)	–	–	(2.1)
Net losses arising on cash flow hedges	–	–	–	(1.8)	–	(1.8)
Net gains arising on financial assets held at FVOCI	–	–	–	–	4.2	4.2
Total comprehensive income for the year	–	–	(2.1)	(1.8)	4.2	0.3
At 31 March 2024	1,139.0	165.0	514.2	(0.4)	(0.7)	1,817.1
At 1 April 2024	**1,139.0**	**165.0**	**514.2**	**(0.4)**	**(0.7)**	**1,817.1**
Profit for the year	**–**	**–**	**8.5**	**–**	**–**	**8.5**
Net gains arising on cash flow hedges	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Net gains arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**4.6**	**4.6**
Total comprehensive income for the year	**–**	**–**	**8.5**	**0.4**	**4.6**	**13.5**
At 31 March 2025	**1,139.0**	**165.0**	**522.7**	**–**	**3.9**	**1,830.6**

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Cash Flows

For the year ended 31 March 2025

	Notes	**Year ended 31 March 2025 USDm**	Year ended 31 March 2024 USDm
Cash flows from operating activities			
(Loss)/profit for the financial year		**(22.3)**	6.4
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**4.1**	6.9
Tax expense	7	**18.1**	14.5
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**1,629.0**	(459.0)
Change in trading assets, at fair value	12	**21.9**	2.7
Change in trading liabilities, at fair value	12	**(44.5)**	(3.0)
Change in collateral placed	14	**952.0**	282.2
Change in other debtors	15	**242.9**	203.7
Change in derivative assets	11	**3,115.4**	(823.5)
Change in deferred tax assets	7	**3.1**	1.3
Change in derivative liabilities	11	**(3,114.9)**	414.6
Change in collateral received	18	**(747.2)**	112.9
Change in other creditors	19	**(245.6)**	(381.0)
Net gains/(losses) arising on cash flow hedges		**0.4**	(1.8)
Net gains arising on financial assets held at FVOCI		**4.6**	4.2
Corporation tax paid	28	**(21.6)**	(20.7)
Net cash flows from operating activities		**1,795.4**	(639.6)
Cash flows from investing activities			
Purchase of intangible assets	16	**(4.8)**	(7.3)
Purchase of property, plant and equipment	17	**–**	(2.5)
Net cash flows from investing activities		**(4.8)**	(9.8)
Cash flows from financing activities			
Net (repayment of)/proceeds from borrowings	19	**(2,104.9)**	636.6
Net cash flows from financing activities		**(2,104.9)**	636.6
Net change in cash		**(314.3)**	(12.8)
Cash and cash equivalents at beginning of year	9	**1,012.4**	1,025.2
Cash and cash equivalents at end of year	9	**698.1**	1,012.4
Net change in cash		**(314.3)**	(12.8)

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Company Statement of Cash Flows

For the year ended 31 March 2025

	Notes	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Cash flows from operating activities			
Profit/(loss) for the financial year		**8.5**	(2.1)
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**3.3**	6.3
Tax expense	7	**15.4**	11.6
Dividend income		**(45.2)**	–
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**1,628.9**	(459.0)
Change in trading assets, at fair value	12	**21.9**	2.7
Change in trading liabilities, at fair value	12	**(44.5)**	(3.0)
Change in collateral placed	14	**952.0**	282.2
Change in other debtors	15	**245.1**	207.8
Change in derivative assets	11	**3,106.1**	(839.4)
Change in deferred tax assets	7	**2.9**	1.3
Change in derivative liabilities	11	**(3,105.7)**	429.9
Change in collateral received	18	**(739.4)**	133.9
Change in other creditors	19	**(249.6)**	(386.0)
Net gains/(losses) arising on cash flow hedges		**0.4**	(1.8)
Net gains arising on financial assets held at FVOCI		**4.6**	4.2
Corporation tax paid	28	**(20.5)**	(18.2)
Net cash flows from operating activities		**1,784.2**	(629.6)
Cash flows from investing activities			
Purchase of intangible assets	16	**(4.8)**	(7.3)
Dividends received		**45.2**	–
Net cash flows from investing activities		**40.4**	(7.3)
Cash flows from financing activities			
Net (repayment of)/proceeds from borrowings	19	**(2,104.9)**	636.6
Net cash flows from financing activities		**(2,104.9)**	636.6
Net change in cash		**(280.3)**	(0.3)
Cash and cash equivalents at beginning of year	9	**756.8**	757.1
Cash and cash equivalents at end of year	9	**476.5**	756.8
Net change in cash		**(280.3)**	(0.3)

The notes on pages 51 to 102 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements

For the year ended 31 March 2025

1. Accounting policies

Reporting entity

These financial statements are prepared for SMBC Nikko Capital Markets Limited (the Company) and its subsidiaries, SMBC Derivative Products Limited and SMBC Capital Markets (Asia) Limited (together the Group), under Section 399 of the Companies Act 2006. The Company is a private company incorporated, domiciled and registered in England and Wales, the registered number is 02418137 and the registered office is 100 Liverpool Street, London, EC2M 2AT.

The Group financial statements consolidate those of the Company and its subsidiaries. The parent company financial statements present information about the Company as a separate entity and not about its group.

Basis of consolidation

The Group consolidates all entities it controls. Control exists where the Group has the power to direct the relevant activities of an entity so as to obtain variable returns from its activities. In assessing control, the Group takes into consideration any potential voting rights that are currently exercisable.

Consolidation presents the financial position and results of operations of the Group as those of a single economic entity. On consolidation, intercompany balances and transactions are eliminated in full; investments in subsidiaries are written off against pre-acquisition reserves, giving rise, if required, to goodwill and non-controlling interest.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow and profitability forecasts for three years from the reporting date which indicate that, taking account of reasonably possible downsides on the operations and financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due.

As discussed in the Strategic Report, the current global landscape is dominated by the new US government policies, particularly tariffs, and ongoing military conflicts in Ukraine and the Gaza strip. There are also tensions in Asia, Taiwan and the Korean peninsula. These factors create significant uncertainty and volatility which affect global trade, investment flows and create inflationary pressures.

The Directors will continue to monitor the market situation amid the potential for further volatility and for deterioration in the credit cycle. The Group manages its positions through careful monitoring, netting agreements with counterparties and the receipt of cash collateral, and so should be in a strong position to manage this situation. Nonetheless, it will continue to remain vigilant.

The Group's latest ongoing ICARA process demonstrates that even under a severe stress scenario the Group maintains adequate capital and liquidity. The considered scenarios comprise:

a) introduction of moderately high tariffs by the US, causing a response from its trading partners, leading to financial market sell-off and plummeting GDP, followed by central banks intervention;

b) introduction of steep tariffs by the US, which leads to tariff wars and supply chains disruption. This, coupled with rising energy and commodity prices, causes spiralling inflation, aggressive rate hikes, severe financial market sell-off and deep global recession;

c) escalation of the Russia-Ukraine conflict, pushing up prices of energy and essential commodities which translate to an EU cost-of-living crisis, high inflation and interest rates, particularly in the UK, due to the higher debt ratio than in other major EU nations. This leads to political instability and protectionism across Europe; and/or

d) deterioration of economic growth prospects and income levels in Japan, leading to a recession and credit rating downgrade of its sovereign debt. This affects the ratings of Japanese financial institutions, including SMBC Group, and impacts equity markets.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

Going concern continued

The Group uses reverse stress testing (RST) to identify and monitor the factors and stress levels which could make its business model unviable. RST is an important part of the overall risk management framework and assists management in understanding potential business model vulnerabilities. The ICARA RST analysis demonstrates that business failure due to capital erosion or liquidity exhaustion would require highly severe events to drive loss figures of a sufficient magnitude, coupled with unavailability of capital support from SMBC Group, in order to reach the capital and liquidity breaking points. This effectively requires a global recession and severe market dislocation occurring simultaneously, causing a collapse of the Japanese financial markets combined with a withdrawal of USD payment systems worldwide.

While it is prudent to continue monitoring key Early Warning Indicators and ensure suitable credit risk mitigation is in place, the Directors consider the likelihood of such events occurring simultaneously to be extremely low and do not propose any additional actions to mitigate the risk of this scenario crystallising.

The Group is well capitalised, as disclosed in note 27, with regulatory capital ratios far above the minimum requirements. It has access to a number of borrowing facilities, described in note 31, all of which have significant spare capacity. Therefore, the Group can draw down significant additional funding at short notice.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statement of compliance

Both the Group financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted IFRSs in conformity with the requirements of the Companies Act 2006 and applicable law. Prior year reclassifications are recorded where applicable to conform to changes in current year presentation.

Company profit and loss account

On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in S.408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The profit dealt with in the financial statements of the Company was USD 8.5 million in the year ended 31 March 2025 (2024: loss of USD 2.1 million).

Functional and presentational currency

The Directors consider the functional currency of the Group's activities to be US Dollars since the majority of the Company's income is generated in this currency. The Directors have chosen to use US Dollars as the presentational currency. All financial information is presented in USD millions and has been rounded to one decimal point unless indicated otherwise.

New accounting standards

There were no new accounting standards coming in force during the year which would have a material effect on these financial statements.

Foreign currency translation

Foreign currency assets and liabilities are translated into US Dollar equivalents at rates of exchange ruling at the balance sheet date. Gains and losses resulting from re-measurement into US Dollar equivalents are reflected in the Group income statement within net trading profit.

Segmental analysis

Segmental analysis is mandatory for businesses whose debt or equity is publicly traded and optional for all others, including the Group. Accordingly, the Group has elected not to prepare such analysis.

Net trading income

Net trading income includes all gains and losses on trading financial instruments, including Day 1 profit or loss on newly entered derivative contracts, related fees, interest, dividends and foreign exchange differences.

Day 1 profit or loss equals the fair value of new derivative contracts upon initial recognition less transaction price (usually nil or negligible) of entering into such contracts.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

Booking fees

Booking fees are earned on booking securities transactions on behalf of the customers and included within the quoted prices. For such fees, the main performance obligation is the execution of the customer's order. It is substantially satisfied upon completion of the transaction, which is when the revenue is recognised. These fees are reported in net trading income.

Intermediation fees

Intermediation fees are earned from an affiliate entity, CM Inc., for derivative transactions registered through SMBC DP, as a percentage of their notional amount and maturity. The main performance obligation, acceptance of the trade risks by SMBC DP, is satisfied on the trade date and is the point in time when the revenue is recognised in net trading income.

Fees and commissions income and expense

Fees and commissions relate to fee-generating activities: underwriting or arrangement of securities issuances and advisory services for business transactions such as mergers and acquisitions. Fees and commissions income and expenses are shown on a gross basis in the statement of profit or loss.

For underwriting and arrangement fees, the main performance obligation is to secure an equity or debt issuance within an agreed price range. This performance obligation is substantially satisfied upon completion of the deals, which is the point in time when the revenue is recognised.

For advisory services, performance obligations relate to both ongoing support and specific events such as completion of business transactions. Accordingly, some fees, e.g. retainer fees, are recognised over a period of time and some are recognised at a point in time when performance obligations are substantially satisfied.

Interest income and expense

Interest income is earned on collateral placed, liquidity securities, securities purchased under agreements to resell and cash at banks. Interest expense is incurred on collateral received, securities sold under agreements to repurchase, borrowings and lease liabilities. Both interest income and expense are calculated at the effective interest rate, which exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or a shorter period, where appropriate, to its net carrying amount.

Fees charged by affiliates

The Group pays fees to related companies for support services, which include trade support, product control, marketing, risk management, planning, system development and others. The fees are recognised within operating expenses when incurred.

Financial instruments

Financial instruments at the reporting date are accounted for under IFRS 9, except for hedging arrangements where the Group has elected to keep the rules of International Accounting Standard (IAS) 39.

Financial instruments are also governed by IFRS 7, IFRS 13 and IAS 32 which define their disclosures, fair value measurement, classification as debt or equity and offsetting.

i) Categories

The following categories of financial instruments held by the Group are within the scope of IFRS 9:

- Cash and cash equivalents;
- Investment securities and investment securities sold, not yet purchased;
- Derivative instruments, including credit guarantees;
- Other trading assets and liabilities;
- Securities purchased under agreements to resell and sold under agreements to repurchase;
- Collateral placed and received; and
- Other debtors and creditors.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

ii) Classification and measurement

Under IFRS 9, financial assets are classified into three categories, measured at:

a) amortised cost;

b) fair value through other comprehensive income (FVOCI); or

c) fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other assets are classified as measured at fair value through profit or loss.

IFRS 9 permits designation of any financial assets at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch.

Financial liabilities are classified as measured at:

a) fair value through profit or loss (either designated or held for trading); or

b) amortised cost.

At the reporting date, financial instruments measured at amortised cost included:

- cash at banks;
- securities purchased under agreements to resell and sold under agreements to repurchase;
- collateral placed and received; and
- other debtors and other creditors.

Instruments measured at fair value through other comprehensive income comprised investment securities held for liquidity purposes;

Instruments measured at fair value through profit or loss comprised

- investment securities held for trading;
- derivatives; and
- other trading assets and other trading liabilities.

iii) Recognition and derecognition

Under IFRS 9, an entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The standard permits a choice between trade date and settlement date accounting for recording regular way transactions. When applying settlement date accounting it is still required that any movements in fair value between trade date and settlement date are reflected as they occur. The movement in fair value is taken to profit and loss or to other comprehensive income depending upon the classification of the asset. Expected settlement date is used for transactions with investment securities and repurchase transactions. Trade date is used for derivatives.

Assets are derecognised when the entity transfers its contractual rights to receive the cash flows and substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is either discharged or cancelled or expires.

The Group enters into transactions whereby it transfers or receives assets without a transfer of all or substantially all of the risks and rewards of their ownership. In such cases, the transferred assets are not derecognised and received assets are not recognised in the statement of financial position. Examples of such transactions are securities collateral, borrowing and sale-to-repurchase agreements.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

iv) Fair value

Fair value is the price to sell an asset or settle a liability (exit price) in an orderly transaction between market participants at the measurement date under current market conditions which takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group makes adjustments to the valuation of their derivatives by calculating credit, debit and funding valuation adjustments consistent with IFRS 13.

v) Impairment

The Group recognises an impairment allowance for expected credit losses for financial assets carried at amortised cost and fair value through other comprehensive income.

IFRS 9 establishes three impairment categories:

a) low risk assets (stage 1);

b) instruments whose credit risk has significantly increased since initial recognition (stage 2); and

c) credit-impaired (stage 3).

Impairment provision of assets in stage 1 is measured for the 12-month future expected credit losses. Impairment provision for assets in stages 2 and 3 is calculated over the lifetime of the asset. IFRS 9 sets criteria for classification as low, significantly increased risk and credit-impaired. They include rebuttable presumptions of a significant increase in credit risk for instruments over 30 days in arrears and credit impairment for instruments over 90 days in arrears.

At the reporting date, the Group had no assets in stages 2 or 3. Where the Group's assets in scope have a life span of less than 12 months, the impairment provision is calculated for the shorter of the asset lifetime and 12 months.

vi) Hedging

As permitted by IFRS 9, the Group retained hedge accounting of IAS 39.

Hedge accounting under IAS 39 requires formal designation, documentation and ongoing effectiveness assessment of the hedging relationship. IAS 39 requires hedges to be highly effective, within a range of 80% to 125%, at inception and, at a minimum, at each reporting date. For cash flow hedges, it also requires the hedged forecast transactions to be highly probable and ultimately affect profit or loss.

The Group uses derivatives to hedge its exposure to variability in forecast operating expenses expressed in foreign currencies. These derivatives are designated as cash flow hedges. The effective portion of the fair value changes of the hedging derivatives is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The amounts accumulated in other comprehensive income are recycled to profit or loss when the hedged forecast transactions take place or are no longer expected to occur.

vii) Collateral placed and received

Cash received as collateral is recognised in the statement of financial position with a corresponding liability in collateral received if the Group has the right to re-use it for own purposes (re-hypothecation). Accordingly, cash transferred to other entities as collateral with re-hypothecation rights is derecognised as cash and reclassified to collateral placed. Cash transferred without re-hypothecation rights does not transfer the risks and rewards of ownership and therefore remains in the transferor's statement of financial position.

Non-cash collateral received, such as debt or equity instruments, is accounted for depending on the right to re-use and whether the transferor has defaulted. If the Group has the right to re-use and sells the collateral received, it recognises proceeds from the sale and a liability measured at fair value for its obligation to return the collateral, with any subsequent value changes included in net trading profit within profit or loss. If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, the Group recognises the collateral as its asset at fair value or, if it has already sold the collateral, derecognises its obligation to return it. In all other instances, the Group does not recognise the non-cash collateral received and does not derecognise non-cash collateral placed in its statement of financial position.

SMBC Nikko Capital Markets Limited Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

viii) Borrowed securities

Similar to non-cash collateral, borrowed securities are not recognised in the statement of financial position, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded at fair value as investment securities sold, not yet purchased.
Any subsequent gains or losses are included in net trading profit within profit or loss.

ix) Securities sold under agreement to repurchase and securities purchased under agreement to resell

In the ordinary course of business, the Group sells securities under agreements to repurchase them at a predetermined price (repos or direct repos). Since substantially all of the risks and rewards are retained by the Group, such transfers fail derecognition criteria. Therefore, the securities remain on the consolidated statement of financial position and a liability is recorded in respect of the consideration received. On the other hand, the Group buys securities under agreements to resell them at a predetermined price (reverse repos). Since the Group does not obtain substantially all of the risks and rewards of ownership, these transactions are treated as collateralised loans and the securities are not included in the Group statement of financial position. These collateralised loans are measured at amortised cost.

x) Credit guarantees

The Group has unconditional guarantees with its parent Sumitomo Mitsui Banking Corporation (SMBC), acting through its Cayman and Tokyo branches (the Guarantor), which guarantees the prompt and complete payment when due of any net termination payment payable to the Group under any of the International Swaps and Derivatives Association (ISDA) Master Agreements of specific guaranteed counterparties. Having such an agreement in place means that any required credit valuation adjustment is calculated based upon the probability of the double-default of both the counterparty and the Guarantor. A fee is payable based on the fair value and expected life of the guaranteed transactions.

The Group recognises that the intragroup guarantees do not cover all scenarios for potential loss for the company, specifically where the financial instruments are reset due to restructuring of the counterparties' financial arrangements. Under such circumstances, the Group does not take any provisions for losses until details of restructuring are available for management to reliably make such provision estimates.

During the year, the Group entered into a guarantee arrangement with the purchaser of loan-linked hedges, which sale is described in the Strategic Report. An upfront guarantee fee was paid based on the fair value and expected life of the guaranteed transactions.

Intangible assets

Intangible assets comprise computer software and are stated at capitalised cost less accumulated amortisation and accumulated impairment losses. The carrying values of intangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying value may not be recoverable.

External expenditure on intangible assets is capitalised as incurred, per supplier invoices including non-recoverable VAT. Internal expenditure is capitalised when there is an ability and intention to complete the asset for intended use and comprises the share of employees' salaries directly attributable to the asset development.

Assets under construction are not amortised until ready for use. Completed intangible assets are amortised on a straight-line basis over five years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any losses for impairment. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset into its working condition.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount less the estimated residual value at the end of its useful economic life. The Group and the Company use the following annual rates in calculating depreciation:

Leasehold assets:

Leasehold property	Over the remaining life of the lease
Costs of adaption of leasehold property	Over the remaining life of the lease

Other

Computers and similar equipment	3–5 years
Fixtures, fittings and other equipment	5 years

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

When deciding on useful economic life, the principal factors taken into consideration are the expected rate of technological change and the expected pattern of usage and replacement of the assets.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

Leases

The Group acts as a lessee in a number of lease arrangements, which include office space, other space and IT equipment. In accordance with IFRS 16 Leases, most leases are capitalised in the statement of financial position as right-of-use (ROU) assets and lease liabilities.

Both ROU assets and lease liabilities are initially measured as the present value of the future lease payments. Lease assets are adjusted for any additional payments, lease incentives, initial costs and expected decommissioning costs at the end of the lease.

Subsequent to initial recognition, ROU assets are depreciated on a straight-line basis. Lease liabilities are amortised on an effective interest rate basis.

Leases lasting 12 months or less and those for low-value underlying items continue to be treated as operating leases, with rental payments being expensed as incurred.

Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss or other comprehensive income, consistently with the recognition of items it relates to.

Current tax is the expected tax charge or credit on the taxable income or loss in the year and any adjustments in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amounts of assets or liabilities for accounting purposes and carrying amounts for tax purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Pensions

During the year, the Group operated a defined contribution pension plan. Payments to the defined contribution pension scheme were recognised within staff costs in profit or loss as incurred.

Assets held for sale and discontinued operations

Under IFRS 5, assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets may be sold individually or in 'disposal groups' comprising various assets and directly associated liabilities. The activities of disposal groups, which can be clearly distinguished from the rest of the entity and represent a separate major business line or geographical area of operations, are referred to as 'discontinued operations'.

In order to be classified in this category, the assets or disposal groups should be available for immediate sale in their present condition and the sale should be highly probable. The sale is highly probable when the appropriate level of management is committed to a plan to sell, an active programme to find a buyer has started and completion is expected within one year from the date of classification.

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. If carrying amounts exceed the fair value less costs to sell, an impairment loss is recognised and allocated to the non-current assets within the group. Some assets, including deferred tax and financial instruments in the scope of IFRS 9, are excluded from re-measurement, either individually or as part of a disposal group.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

1. Accounting policies continued

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has exercised judgement and estimates, gauged in accordance with industry best practice, when determining the amounts recognised in the financial statements in relation to the fair value of derivative assets and liabilities and credit guarantees.

i) Judgements

Judgements do not usually directly address measurement. The management exercises judgements when accounting standards allow a range of possible measurement methods. A different judgement might lead to a materially different accounting treatment and valuation.

Judgement is exercised in respect of the methodology for valuing the Group's collateralised derivative contracts. The management has chosen to use, in line with market practice, the Overnight Indexed Swap curve (OIS) in order to more consistently manage the associated interest rate and funding risks.

Judgement is exercised as to whether unobservable inputs constitute a significant part of the total value of derivative instruments and therefore the level at which the instruments should be classified in the fair value hierarchy.

Judgement is exercised to determine whether the sale of assets classified as held for sale is highly probable and expected to complete within one year of classification. The probability of shareholders' and regulatory approvals in the UK and Japan is considered as part of the assessment of whether the sale is highly probable. This judgement is applied continuously to ensure that the classification remains appropriate.

ii) Estimates

Estimates use uncertain information and sometimes subjective assumptions to measure carrying values. As a result, estimates bear a risk of material adjustments to the carrying amounts in subsequent accounting periods.

Estimates are used where the fair value of derivative assets and liabilities cannot be derived from active markets and is determined using a variety of valuation techniques that employ mathematical models. The inputs to these models use observable market data where possible but, where observable market data are not available, unobservable inputs are used. The estimates include considerations of liquidity and model inputs such as volatility for longer-dated derivatives.

Credit Valuation Adjustments (CVAs) and Debit Valuation Adjustments (DVAs) are incorporated into derivative valuations to reflect the value of counterparty and own credit risk. CVAs, calculated on a counterparty exposure basis across instrument type, are derived from market data and management estimates of exposure at default, probability of default and recovery rates. The DVA is an adjustment to the value of the Group's derivative liabilities that seeks to reflect the Group's own default risk and involves similar estimates of exposure at default, probability of default and recovery rates.

The Funding Value Adjustment (FVA) is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the over-the -counter (OTC) derivative portfolio. This includes the uncollateralised component of collateralised derivatives in addition to derivatives that are wholly uncollateralised. The expected future funding exposure is calculated by a simulation methodology, where available. The expected future funding exposure is adjusted for events that may terminate the exposure such as the default of the Company or the counterparty.

The FVA, CVA and DVA are calculated independently of each other.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

2. Interest income

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Interest on collateral	**121.6**	173.7
Interest on reverse repo transactions	**464.7**	443.1
Interest on securities	**68.3**	70.2
Interest on deposits	**30.9**	35.9
	685.5	722.9

3. Interest expense

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Interest on collateral	**158.0**	227.6
Interest on repo transactions	**399.1**	353.1
Interest on borrowings	**69.8**	98.7
Interest on lease liabilities	**–**	0.1
	626.9	679.5

4. Staff costs

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Wages and salaries	**40.0**	60.8
Social security costs	**4.2**	6.5
Pension costs	**2.6**	3.8
Other staff costs	**5.2**	4.5
	52.0	75.6

The average number of Group and Company employees during the year was 88 (2024: 199) and 73 (2024: 182) respectively. During the Securities business transfer, all Company employees and accrued employee benefits were transferred to SMBC BI. About 45 SMBC BI employees were subsequently seconded to the Company. Their costs continue to be reported within staff costs.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

5. Directors' emoluments

During the year, the employment contracts of the Executive Directors were transferred to SMBC Bank International Plc. The Executive Directors were subsequently seconded to the Company. Their emoluments are apportioned between the two entities based on the time spent on each entity.

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Directors' emoluments	**2.3**	2.5
Post-employment benefits	**0.1**	–
	2.4	2.5

Emoluments of the highest paid Director are presented below:

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Directors' emoluments	**1.2**	1.7
	1.2	1.7

Directors' emoluments comprise salaries and bonuses, some of which are deferred. During the year, two Directors received a bonus (2024: two Directors).

Directors received no pension contribution in the year. Two Directors received cash in lieu of pension of USD 29 thousand and USD 43 thousand (2024: USD 39 thousand and nil) respectively.

No other benefits, long-term incentives or pension contributions were paid to Directors during the year (2024: nil).

6. Other operating expenses

Other operating expenses include:

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Auditor remuneration		
Audit of these financial statements	**0.8**	0.7
Audit of financial statements of subsidiaries of the Company	**0.2**	0.2
Audit-related assurance services	**0.1**	0.1
Other assurance services	**0.4**	0.6
	1.5	1.6
Operating lease rentals	**0.9**	0.4
Outsourced services from related parties	**46.7**	58.1

Audit fees relate to the audit of the financial statements payable to KPMG LLP. Audit-related assurance services include CASS assurance and quarterly financial reviews payable to KPMG LLP. Other assurance services relate to fees payable to KPMG LLP's US affiliate for agreed-upon procedures relating to credit agency ratings.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

7. Taxation

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Current tax		
Current year UK tax	**17.2**	18.7
Adjustments for prior years	**(0.3)**	(4.9)
Foreign tax suffered	**0.1**	0.3
Current tax charge	**17.0**	14.1
Deferred tax		
Origination and reversal of temporary differences	**1.1**	(0.9)
Adjustments for prior years	**–**	1.3
Deferred tax credit	**1.1**	0.4
Total tax charge in income statement	**18.1**	14.5

Disclosure of tax in other comprehensive income

	Year ended 31 March 2025		Year ended 31 March 2024	
	Before tax USDm	Net of tax USDm	Before tax USDm	Net of tax USDm
Investment securities at FVOCI	**6.3**	**4.6**	5.8	4.2
Cash flow hedges	**0.6**	**0.4**	(2.5)	(1.8)
	6.9	**5.0**	3.3	2.4

Reconciliation of effective tax rate

The tax charge on profit for the year differs from the nominal amount that would arise at the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2025		Year ended 31 March 2024	
	USDm	Effective tax rate	USDm	Effective tax rate
Profit before taxation	**(4.2)**		20.9	
Tax using the UK weighted average corporation tax rate of 25% (2024: 25%)	**(1.1)**	**25.0%**	5.2	25.0%
Banking surcharge	**0.7**	**(16.7)%**	0.9	4.3%
Advance Pricing Agreement adjustment	**19.2**	**(455.9)%**	12.2	58.3%
Adjustments for prior years	**(0.3)**	**7.1%**	(3.6)	(17.2)%
Utilisation of losses	**(0.5)**	**11.9%**	–	–
Other	**0.1**	**(2.4)%**	(0.2)	(1.0)%
	18.1	**(431.0)%**	14.5	69.4%

An Advance Pricing Agreement (APA) between the Group, its affiliate CM Inc., the UK tax authorities and US tax authorities defines the basis on which UK tax is charged on the profits of the global derivative products group. A new 7th APA has been negotiated with the UK and US tax authorities.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

7. Taxation continued

Corporation tax rate

Effective from 1 April 2023 the headline rate of corporation tax has increased from 19% to 25% and the banking surcharge rate of 8%, applicable to profits of banking companies under the Finance (No.2) Act 2015, has been reduced to 3%.

Deferred tax assets and liabilities are required to be valued using the tax rate which will be in force at the time when the temporary difference is expected to unwind. In line with the requirements of IAS 12, the deferred tax asset and liability has been calculated at 28%.

On 11 July 2023, the UK Finance (No.2) Act 2023 was enacted to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, will seek to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2024. As the UK rate of corporation is now 25%, the impact of these rules is not expected to be material.

Deferred tax assets

	31 March 2025 USDm	31 March 2024 USDm
Property, plant and equipment	**1.7**	1.9
Employee benefits	**0.5**	1.6
Investment securities	**(1.5)**	0.3
Cash flow hedges	**–**	0.2
Intangible assets	**(0.4)**	(0.6)
Deferred tax assets	**0.3**	3.4

There is an unutilised tax loss of USD 5.5 million (2024: USD 4.3 million), for which no deferred tax asset is recognised.

Movement in deferred tax assets

	1 April 2024	**Recognised in income**	**Recognised in reserves**	**31 March 2025**
Property, plant and equipment	**1.9**	**(0.1)**	**–**	**1.8**
Employee benefits	**1.6**	**(1.2)**	**–**	**0.4**
Investment securities	**0.3**	**–**	**(1.8)**	**(1.5)**
Cash flow hedges	**0.2**	**–**	**(0.2)**	**–**
Intangible assets	**(0.6)**	**0.2**	**–**	**(0.4)**
Deferred tax assets	**3.4**	**(1.1)**	**(2.0)**	**0.3**

	1 April 2023	Recognised in income	Recognised in reserves	31 March 2024
Property, plant and equipment	1.9	–	–	1.9
Employee benefits	1.4	0.2	–	1.6
Investment securities	1.9	–	(1.6)	0.3
Cash flow hedges	(0.5)	–	0.7	0.2
Intangible assets	–	(0.6)	–	(0.6)
Deferred tax assets	4.7	(0.4)	(0.9)	3.4

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

8. Pension costs

During the year, the Group operated one pension scheme in the UK: a contract-based defined contribution scheme, which covered all of the Group's local employees. The Group incurred no pension costs in respect of its Japanese expatriate employees. The pension cost for this scheme for the year was USD 2.6 million (2024: USD 3.8 million). The Group recognised expenses as employees rendered services within staff costs. Following the personnel transfer, explained in note 4, direct pension costs ceased, however, the Group continues to report pension costs of seconded employees within staff costs.

9. Cash at banks

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
Current accounts	**204.6**	498.5	**128.4**	381.5
Short-term deposits	**493.5**	513.9	**348.1**	375.3
	698.1	1,012.4	**476.5**	756.8

At the reporting date, USD 36.8 million of Group (2024: USD 18.0 million), and USD 31.6 million of Company (2024: USD 13.8 million) current accounts were placed with related companies.

Short-term deposits placed with related companies amounted to USD 25.6 million (2024: USD 1.5 million) for the Group and USD 24.0 million (2024: nil) for the Company.

A detailed analysis of the Group's and Company's credit exposure and geographical analysis of cash at banks is included in note 21.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

10. Investment securities

Investment securities (long positions) represent investments in debt and equity instruments held for:

- the purpose of facilitating customer orders and which also generate income from value fluctuations, dividends and coupons. These securities are accounted for at fair value through profit or loss; and
- liquidity purposes, usually until maturity, which occasionally may be sold to provide cash, prove their quality, rebalance the portfolio or for similar reasons. These securities are accounted for at fair value through other comprehensive income. See further details in notes 1 and 24.

Liabilities for securities sold, not yet purchased (short positions), arise when the Group sells securities held as collateral under agreements to resell (reverse repos) or those borrowed in the market. They represent an obligation to return the underlying securities, measured at their market value, when the repo contracts mature or the lender recalls the collateral.

Securities balances decreased during the year due to the business transfer explained in the Strategic Report and note 34.

Fair value as at 31 March 2025 Group	**Listed on London Stock Exchange USDm**	**Listed on non-UK exchanges USDm**	**Not listed USDm**	**Total USDm**
Assets				
Floating rate notes	–	–	–	–
US Treasury securities	–	**821.3**	–	**821.3**
Other foreign government securities	**89.8**	–	–	**89.8**
Total	**89.8**	**821.3**	–	**911.1**

Fair value as at 31 March 2025 Company	**Listed on London Stock Exchange USDm**	**Listed on non-UK exchanges USDm**	**Not listed USDm**	**Total USDm**
Assets				
Floating rate notes	–	–	–	-
US Treasury securities	–	**771.4**	–	**771.4**
Other foreign government securities	**89.8**	–	–	**89.8**
Total	**89.8**	**771.4**	–	**861.2**

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

10. Investment securities continued

Fair value as at 31 March 2024 Group	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	28.9	267.2	6.1	302.2
US Treasury securities	–	571.7	-	571.7
Other foreign government securities	1.3	678.9	37.7	717.9
Corporate bonds	2.4	815.5	35.0	852.9
Equity securities	–	2.1	–	2.1
Total	32.6	2,335.4	78.8	2,446.8
Liabilities				
Floating rate notes	0.1	1.4	–	1.5
U.S. Treasury securities	–	29.0	–	29.0
Other foreign government securities	–	717.4	–	717.4
Corporate bonds	5.5	212.5	–	218.0
Total	5.6	960.3	–	965.9

Fair value as at 31 March 2024 Company	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	28.9	267.2	6.1	302.2
US Treasury securities	–	521.7	–	521.7
Other foreign government securities	1.3	678.9	37.7	717.9
Corporate bonds	2.4	815.5	35.0	852.9
Equity securities	–	2.1	–	2.1
Total	32.6	2,285.4	78.8	2,396.8
Liabilities				
Floating rate notes	0.1	1.4	–	1.5
U.S. Treasury securities	–	29.0	–	29.0
Other foreign government securities	–	717.4	–	717.4
Corporate bonds	5.5	212.5	–	218.0
Total	5.6	960.3	–	965.9

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

11. Derivative assets and liabilities

Derivatives are financial instruments which derive their value from other assets, rates, prices, indices or other variables and which settlement does not usually involve the delivery of the underlying instrument. Derivative assets represent contracts with positive fair values and liabilities represent those with negative fair values.

In line with the requirements of IFRS 13, the Group books a DVA, CVA and FVA when calculating the fair value of its derivatives. Collectively, these are classified as Derivative reserves.

The tables below provide an analysis of carrying values and principal amounts by type of contract:

	Carrying value		Notional principal	
Group	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDmc
Interest rate and currency swaps	**8,975.0**	11,934.4	**162,883.0**	130,830.8
Options	**154.4**	303.6	**18,561.3**	14,709.4
Forward contracts	**35.7**	63.0	**1,966.6**	4,581.6
Commodity swaps	**0.1**	0.2	**2.8**	7.3
Derivative reserves	**(15.4)**	(36.0)	**–**	–
Derivative assets	**9,149.8**	12,265.2	**183,413.7**	150,129.1
Interest rate and currency swaps	**8,786.5**	11,736.8	**132,360.4**	142,554.5
Options	**155.6**	308.0	**18,191.0**	14,548.2
Forward contracts	**53.9**	60.1	**2,391.4**	4,393.2
Commodity swaps	**0.1**	0.2	**2.8**	7.3
Derivative reserves	**(27.2)**	(21.3)	**–**	–
Derivative liabilities	**8,968.9**	12,083.8	**152,945.6**	161,503.2

	Carrying value		Notional principal	
Company	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Interest rate and currency swaps	**8,973.2**	11,931.6	**162,868.6**	130,816.6
Options	**130.6**	271.5	**16,380.8**	12,861.2
Forward contracts	**35.7**	63.0	**1,966.6**	4,581.6
Commodity swaps	**0.1**	0.2	**2.8**	7.3
Derivative reserves	**(15.5)**	(36.1)	**–**	–
Derivative assets	**9,124.1**	12,230.2	**181,218.8**	148,266.7
Interest rate and currency swaps	**8,784.7**	11,734.0	**132,341.8**	142,535.9
Options	**131.8**	275.9	**16,010.5**	12,700.0
Forward contracts	**53.9**	60.1	**2,391.4**	4,393.2
Commodity swaps	**0.1**	0.2	**2.8**	7.3
Derivative reserves	**(27.2)**	(21.2)	**–**	–
Derivative liabilities	**8,943.3**	12,049.0	**150,746.5**	159,636.4

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

11. Derivative assets and liabilities continued

The tables below analyse the carrying values of derivatives, excluding reserves and credit guarantees, by contractual maturities:

	Group		Company	
Carrying values	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDmc
Due within 1 year	**795.8**	1,618.1	**787.1**	1,597.5
Due within 1 to 5 years	**3,038.0**	3,930.4	**3,021.1**	3,918.9
Due within 5 to 10 years	**2,026.0**	3,050.8	**2,026.0**	3,048.0
Due within 10 to 15 years	**1,684.5**	1,489.1	**1,684.5**	1,489.1
Due in more than 15 years	**1,620.9**	2,212.8	**1,620.9**	2,212.8
Derivative assets	**9,165.2**	12,301.2	**9,139.6**	12,266.3
Due within 1 year	**780.0**	1,653.9	**771.3**	1,633.4
Due within 1 to 5 years	**3,029.9**	3,892.4	**3,013.0**	3,880.8
Due within 5 to 10 years	**2,047.0**	3,042.2	**2,047.0**	3,039.4
Due within 10 to 15 years	**1,680.8**	1,618.7	**1,680.8**	1,618.7
Due in more than 15 years	**1,458.4**	1,897.9	**1,458.4**	1,897.9
Derivative liabilities	**8,996.1**	12,105.1	**8,970.5**	12,070.2

Derivatives are usually used by market participants to hedge risks in non-derivative financial or non-financial contracts. When the host contracts expire, the related derivatives are settled as well. Due to that, contractual maturities represent the maximum expected duration of derivative instruments.

The derivative instruments above include those held to hedge expenses expressed in foreign currencies and designated as cash flow hedges:

	Carrying value		Notional principal	
Group and Company	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Forward contracts	**–**	0.6	**–**	7.0
Derivative liabilities	**–**	0.6	**–**	7.0

Gains or losses transferred during the year from the cash flow hedging reserve to operating expenses were as follows:

Group and Company	**Year ended 31 March 2025 USDm**	Year ended 31 March 2024 USDm
Profit / (loss)	**0.4**	1.0

In addition, the Group terminated hedges of USD 0.3 million in respect of hedged forecast transactions which were no longer expected to occur and wrote off their value to profit or loss (2024: nil).

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

11. Derivative assets and liabilities continued

The paragraphs below provide additional information on interest rate, foreign exchange, commodity, credit and equity index derivatives contracts:

Interest rate contracts

Interest rate swaps are one of the primary derivative instruments used by the Group. The two parties to an interest rate swap agree to exchange, at particular intervals, payment streams calculated on a specified notional amount with at least one stream based on a floating interest rate. Basis swaps involve two floating rates, such as prime and Sterling Overnight Index Average (SONIA). Inflation swaps are included in this category.

Forward rate agreements are settled in cash at a specified future date based on the differential between agreed-upon interest rates and an index applied to a notional amount.

Interest rate caps and floors require the writer to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to a notional amount. The cap or floor writer receives a premium for bearing the risk of unfavourable interest rate changes.

Currency swaps and foreign exchange contracts

The Group is involved in a variety of currency swaps and foreign exchange contracts in its trading activities. The parties to a currency swap generally agree to the exchange of principal amounts and/or interest in two currencies, agreeing to re-exchange any principal amounts at a future date and agreed-upon exchange rate. These currency swaps primarily relate to major foreign currencies such as Yen, Canadian Dollars, Australian Dollars, Sterling and Euros.

Options

The Group holds positions in options, which give the holder the right, but not an obligation, to execute a transaction at pre-agreed terms. Currency options allow the holder to buy or sell principals at the contractual exchange rates. Interest rate options – floors and caps – fix respectively the lowest and highest interest rates on deposits and borrowings. Equity index options involve payments determined by reference to the movement in an equity index.

Forward contracts

The Group's forward contracts, mainly in respect of currency exchanges, are agreements to exchange amounts in different currencies in the future at the rates determined at the time of the agreement.

Commodity derivatives

The Group holds commodity index swaps and options whereby it receives a fixed rate per contract and guarantees to deliver the average index price to the counterparty or, alternatively, where it guarantees a fixed payment in return for the floating average index price from the counterparty. All customer positions are fully hedged with a market-maker.

As of 31 March 2025, for almost all of the Group's interest rate and currency swaps, interest rate and currency options with customers, back-to-back transactions were made with CM Inc. For commodity and other index trades with customers, back-to-back transactions were made with other market counterparties. Note 21 describes the risks associated with derivative products.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

12. Other trading assets and liabilities

Other trading assets and liabilities comprise derivative contracts or their components which do not meet the accounting definition of a derivative, with either positive or negative carrying values. The table below provides an analysis of carrying values and principal amounts by type of contract:

	Carrying value		Notional principal	
Group and Company	**2025 USDm**	2024 USDm	**2025 USDm**	2024 USDm
Interest rate and currency swaps	**37.2**	59.1	**474.9**	779.6
Other trading assets	**37.2**	59.1	**474.9**	779.6
Interest rate and currency swaps	**130.9**	175.4	**615.8**	1,222.9
Other trading liabilities	**130.9**	175.4	**615.8**	1,222.9

Below is further analysis of carrying values by contractual maturity:

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
Due within 1 year	**1.5**	1.0
Due within 1 to 5 years	**10.1**	14.7
Due within 5 to 10 years	**2.2**	0.5
Due within 10 to 15 years	**23.4**	19.6
Due in more than 15 years	**–**	23.3
Other trading assets	**37.2**	59.1
Due within 1 year	**13.9**	21.7
Due within 1 to 5 years	**6.0**	9.8
Due within 5 to 10 years	**36.2**	34.7
Due within 10 to 15 years	**69.8**	58.7
Due in more than 15 years	**5.0**	50.5
Other trading liabilities	**130.9**	175.4

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

13. Repurchase agreements

Repurchase agreements (repos) represent purchases or sales of securities with a condition to resell or repurchase at a pre-determined price. As such, repurchase transactions are treated as collateralised lending or borrowing, supported by the underlying securities and, if required, additional collateral.

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
Amounts due from related parties	**3,026.4**	6,308.2
Amounts due from external parties	**–**	6,580.7
Securities purchased under agreements to resell	**3,026.4**	12,888.9
Amounts due to related parties	**2,208.9**	2,370.0
Amounts due to external parties	**–**	8,642.2
Securities sold under agreements to repurchase	**2,208.9**	11,012.2

The contractual maturity profile of repurchase agreements is as follows:

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
Due on demand	**1,072.2**	536.5
Due within 1 month	**1,954.2**	7,819.0
Due within 1 to 3 months	**–**	3,068.0
Due within 3 to 6 months	**–**	1,465.4
Securities purchased under agreements to resell	**3,026.4**	12,888.9
Due on demand	**350.0**	1,300.8
Due within 1 month	**1,858.9**	7,627.6
Due within 1 to 3 months	**–**	1,604.6
Due within 3 to 6 months	**–**	479.2
Securities sold under agreements to repurchase	**2,208.9**	11,012.2

Most repurchase agreements are renewed on maturity. Therefore, contractual maturities represent the minimum expected duration of these instruments.

Repo balances decreased during the year due to the business transfer explained in the Strategic Report and note 34.

14. Collateral placed

Placed collateral represents cash deposits in respect of derivative and repo transactions required under Credit Support Annexes (CSAs) and Global Master Repurchase Agreements (GMRAs).

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
Collateral placed with related parties	**711.9**	1,380.6
Collateral placed with external parties	**1,275.1**	1,558.4
	1,987.0	2,939.0

In addition to the cash collateral, the Group placed collateral in the form of securities, as presented below. Such collateral is not recognised in the statement of financial position, as explained in note 1.

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
Regulatory collateral in respect of derivative transactions placed with third parties	**131.0**	153.1

Regulatory collateral is placed in accordance with requirements of the UK European Market Infrastructure Regulation (UK EMIR) in support of derivative transactions.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

15. Other debtors

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Prepayments	**2.7**	6.9	**2.2**	6.2
Corporation tax	**19.1**	14.0	**18.0**	11.4
Other related party debtors	**44.6**	82.2	**55.3**	94.4
Failed trades with external customers	**4.8**	150.5	**4.8**	150.5
Other external debtors	**15.7**	57.3	**14.8**	57.0
	86.9	310.9	**95.1**	319.5

16. Intangible assets

Computer software	**Group USDm**	**Company USDm**
Cost		
Balance at 1 April 2023	23.0	22.8
Additions	7.3	7.3
Balance at 31 March 2024	**30.3**	**30.1**
Balance at 1 April 2024	**30.3**	**30.1**
Additions	**4.8**	**4.8**
Disposals	(16.5)	(16.5)
Write-offs	(4.3)	(4.3)
Balance at 31 March 2025	14.3	14.1
Accumulated amortisation and impairment losses		
Balance at 1 April 2023	9.3	9.1
Charge for the year	3.6	3.6
Balance at 31 March 2024	**12.9**	**12.7**
Balance at 1 April 2024	**12.9**	**12.7**
Charge for the year	**1.7**	**1.7**
Disposals	**(5.5)**	**(5.5)**
Balance at 31 March 2025	**9.1**	**8.9**
Carrying amounts		
Balance at 31 March 2024	**17.4**	17.4
Balance at 31 March 2025	**5.2**	5.2

No internal development costs were capitalised during the year (2024: USD 2.8 million).

USD 4.3 million of previously capitalised development costs which were no longer expected to produce economic benefits were written off.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

17. Property, plant and equipment

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Group				
Cost				
Balance at 1 April 2023	6.4	6.7	0.1	13.2
Additions	1.2	0.3	1.0	2.5
Disposals	(2.1)	(0.1)	–	(2.2)
Balance at 31 March 2024	5.5	6.9	1.1	13.5
Balance at 1 April 2024	**5.5**	**6.9**	**1.1**	**13.5**
Additions	**0.1**	**–**	**–**	**0.1**
Disposals	**(4.3)**	**(0.1)**	**–**	**(4.4)**
Balance at 31 March 2025	**1.3**	**6.8**	**1.1**	**9.2**
Accumulated depreciation and impairment losses				
Balance at 1 April 2023	3.5	4.5	0.1	8.1
Depreciation for the year	1.9	1.4	–	3.3
Disposals	(2.0)	(0.1)	–	(2.1)
Balance at 31 March 2024	3.4	5.8	0.1	9.3
Balance at 1 April 2024	**3.4**	**5.8**	**0.1**	**9.3**
Depreciation for the year	**1.2**	**0.9**	**0.2**	**2.3**
Disposals	**(3.9)**	**(0.1)**	**–**	**(4.0)**
Balance at 31 March 2025	**0.7**	**6.6**	**0.3**	**7.6**
Carrying amounts				
Balance at 31 March 2024	2.1	1.1	1.0	4.2
Balance at 31 March 2025	**0.6**	**0.2**	**0.8**	**1.6**

	Leasehold property USDm	IT equipment USDm	Total USDm
Company			
Cost			
Balance at 1 April 2023	4.2	6.5	10.7
Additions	–	–	–
Disposals	–	–	–
Balance at 31 March 2024	4.2	6.5	10.7
Balance at 1 April 2024	**4.2**	**6.5**	**10.7**
Additions	**–**	**–**	**–**
Disposals	**(4.2)**	**–**	**(4.2)**
Balance at 31 March 2025	**–**	**6.5**	**6.5**
Accumulated depreciation and impairment losses			
Balance at 1 April 2023	1.8	4.3	6.1
Depreciation for the year	1.4	1.3	2.7
Disposals	–	–	–
Balance at 31 March 2024	3.2	5.6	8.8
Balance at 1 April 2024	**3.2**	**5.6**	**8.8**
Depreciation for the year	**0.8**	**0.9**	**1.7**
Disposals	**(4.0)**	**–**	**(4.0)**
Balance at 31 March 2025	**–**	**6.5**	**6.5**
Carrying amounts			
Balance at 31 March 2024	1.0	0.9	1.9
Balance at 31 March 2025	**–**	**–**	**–**

Property, plant and equipment above include leased assets, analysis of which is presented below.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

17. Property, plant and equipment continued

Leasehold property	Group USDm	Company USDm
Cost		
Balance at 1 April 2023	6.4	4.2
Additions	1.1	-
Disposals	(2.2)	-
Balance at 31 March 2024	5.3	4.2
Balance at 1 April 2024	**5.3**	**4.2**
Additions	**0.1**	**–**
Disposals	**(4.3)**	**(4.2)**
Balance at 31 March 2025	**1.1**	**–**
Accumulated depreciation and impairment losses		
Balance at 1 April 2023	3.6	1.8
Depreciation for the year	1.9	1.4
Disposals	(2.1)	–
Balance at 31 March 2024	**3.4**	**3.2**
Balance at 1 April 2024	**3.4**	**3.2**
Depreciation for the year	**1.2**	**0.8**
Disposals	**(4.1)**	**(4.0)**
Balance at 31 March 2025	**0.5**	**–**
Carrying amounts		
Balance at 31 March 2024	1.9	1.0
Balance at 31 March 2025	**0.6**	**–**

18. Collateral received

Collateral received represents cash received to support either trading balances (arising from derivative and repurchase transactions) or the SMBC Group credit guarantee, explained further in note 30. Collateral is transferred with full re-hypothecation rights.

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Collateral received from related parties in respect of:				
– derivative transactions	**970.7**	1,076.0	**945.0**	1,042.5
– credit guarantee	**1,375.2**	1,878.8	**1,375.2**	1,878.8
	2,345.9	2,954.8	**2,320.2**	2,921.3
Collateral received from external parties in respect of:				
– derivative transactions	**293.1**	452.6	**293.1**	452.6
– repurchase transactions	**36.1**	14.9	**36.1**	14.9
	329.2	467.5	**329.2**	467.5
	2,675.1	3,422.3	**2,649.4**	3,388.8

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

18. Collateral received continued

In addition to the cash collateral, the Group received collateral in the form of securities, as presented below. Such collateral is not recognised in the statement of financial position, but can be used to mitigate credit risk. The arrangement for which SMBC DP received the indemnity securities is further explained in note 29.

Group and Company	31 March 2025 USDm	31 March 2024 USDm
Collateral received from related parties:		
Independent Amount in respect of derivative transactions	**790.9**	789.5
Margin Deficit Securities in respect of repurchase transactions	**–**	29.7
SMBC DP guarantees indemnity	**486.2**	1,247.6
	1,277.1	2,066.8
Regulatory collateral in respect of derivative transactions received from third parties	**145.8**	162.7
	1,422.9	2,229.5

Independent Amount collateral is provided per ISDA CSA between SMBC and the Company in order to collateralise the regulatory add-on portion of the derivative exposures for regulatory capital purposes.

Margin Deficit Securities are received from SMBC Nikko Securities Inc. to mitigate the residual counterparty credit risk associated with repo transactions between the companies.

19. Other creditors

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	31 March 2025 USDm	31 March 2024 USDm
Funding loans from related parties	**–**	2,104.9	**–**	2,104.9
Lease liabilities	**0.6**	1.9	**–**	1.0
Other related party creditors	**35.8**	80.1	**32.0**	80.4
Failed trades with external customers	**0.5**	172.2	**0.5**	172.2
Other external creditors	**22.1**	50.5	**19.6**	48.1
	59.0	2,409.6	**52.1**	2,406.6

20. Called up share capital

Group and Company	Allotted, called up and fully paid 31 March 2025 USDm	Allotted, called up and fully paid 31 March 2024 USDm
779 million ordinary shares of USD 1 each	**779.0**	779.0
360 million preference shares of USD 1 each	**360.0**	360.0
	1,139.0	1,139.0

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management

i) Strategy in using financial instruments

The principal activities of the Group include customer facilitation, brokering and trading in primary and secondary debt and equity securities and an extensive range of over-the-counter derivative contracts.

The Group and the Company undertake their derivative business on either an agency basis or back-to-back basis where the market risk arising from customer trades is hedged either with CM Inc., or a market counterparty.

The Group's business model is subject to a number of risks which are specific to the Group and generic to the sector.

ii) Cash flow and fair value risk

As the Group and the Company operate a primarily balanced derivative portfolio (subject to appropriate credit adjustments) and invest in floating rate assets funded through floating rate liabilities or capital, there is no significant exposure in the derivative portfolio to changes in cash flow or fair value due to interest rate risk.

iii) Credit risk

a) Credit quality and collateral

Credit risk represents the potential losses that the Group would incur if a counterparty failed to perform its obligations under contractual terms and collateral held was not sufficient to cover them.

Cash at banks

Credit risk of cash at banks, appropriate to its maturity profile, is characterised by the short-term ratings of the financial institutions it was held at:

	Group		Company	
S&P rating	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
A-1+	**296.1**	416.7	**94.8**	292.6
A-1	**399.0**	593.3	**381.7**	464.2
A-2	**3.0**	2.4	**–**	–
	698.1	1,012.4	**476.5**	756.8

	Group		Company	
Moody's rating	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
P-1	**660.9**	979.8	**439.3**	724.1
Not rated	**37.2**	32.6	**37.2**	32.7
	698.1	1,012.4	**476.5**	756.8

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

Investment securities

Credit risk of investment securities is characterised by their long-term ratings:

	Group		Company	
S&P rating	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
AAA	–	108.0	–	108.0
AA+	**821.3**	126.1	**771.4**	76.1
AA	**89.8**	43.7	**89.8**	43.7
AA-	–	21.6	–	21.6
A+	–	78.3	–	78.3
A	–	72.9	–	72.9
A-	–	232.3	–	232.3
BBB+	–	156.7	–	156.7
BBB	–	166.0	–	166.0
BBB-	–	40.8	–	40.8
BB+	–	12.4	–	12.4
BB	–	6.5	–	6.5
BB-	–	0.5	–	0.5
B+	–	23.7	–	23.7
B-	–	0.2	–	0.2
Not rated	–	1,357.1	–	1,357.1
	911.1	2,446.8	**861.2**	2,396.8

	Group		Company	
Moody's rating	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Aaa	**821.3**	711.4	**771.4**	661.4
Aa1	–	4.4	–	4.4
Aa2	–	83.1	–	83.1
Aa3	**89.8**	60.4	**89.8**	60.4
A1	–	152.4	–	152.4
A2	–	48.1	–	48.1
A3	–	195.6	–	195.6
Baa1	–	146.2	–	146.2
Baa2	–	149.1	–	149.1
Baa3	–	53.7	–	53.7
Ba1	–	20.7	–	20.7
Ba2	–	5.3	–	5.3
Ba3	–	0.3	–	0.3
B2	–	2.0	–	2.0
Not rated	–	814.1	–	814.1
	911.1	2,446.8	**861.2**	2,396.8

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

Reverse repos

Credit risk on securities purchased under agreements to resell (reverse repos) arises from a potential inability of customers to fully repay the amounts they received in exchange for the underlying securities. This risk is mitigated by the quality and current value of purchased securities which serve as collateral.

The table below summarises short-term credit ratings of customers in reverse repo agreements, which corresponds to the maturity profile of these agreements:

Group and Company **S&P rating**	**31 March 2025** **USDm**	31 March 2024 USDm
Related parties		
A-1	**3,026.4**	6,308.2
External parties		
A-1+	**–**	1,226.3
A-1	**–**	3,389.0
A-2	**–**	867.3
A-3	**–**	299.6
Not rated	**–**	798.5
	–	6,580.7
	3,026.4	12,888.9

Group and Company **Moody's rating**	**31 March 2025** **USDm**	31 March 2024 USDm
Related parties		
P-1	**3,026.4**	6,308.2
External parties		
P-1	**–**	4,702.5
P-2	**–**	254.4
Not rated	**–**	1,623.8
	–	6,580.7
	3,026.4	12,888.9

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

The table below analyses the types and fair value of securities purchased under reverse repo agreements:

	31 March 2025 USDm Related parties	**31 March 2025 USDm External parties**	**31 March 2025 USDm Total**	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
US Treasury bills	**336.9**	**–**	**336.9**	3,746.2	1,105.4	4,851.6
European government bonds	**468.9**	**–**	**468.9**	483.6	788.5	1,272.1
Japanese government bonds	**2,203.9**	**–**	**2,203.9**	2,037.2	421.3	2,458.5
Non-European government bonds	**–**	**–**	**–**	–	1,283.3	1,283.3
US corporate bonds	**–**	**–**	**–**	–	1,051.9	1,051.9
European corporate bonds	**–**	**–**	**–**	–	461.1	461.1
Japanese corporate bonds	**–**	**–**	**–**	–	183.0	183.0
Non-European corporate bonds	**–**	**–**	**–**	–	1,290.7	1,290.7
Securities purchased	**3,009.7**	**–**	**3,009.7**	6,267.0	6,585.2	12,852.2
Carrying value	**3,026.4**	**–**	**3,026.4**	6,308.2	6,580.7	12,888.9
(Under)/over-collateralised	**(16.7)**	**–**	**(16.7)**	(41.2)	4.5	(36.7)

In order to cover the residual under-collateralised credit risk, the Group held additional collateral in the form of securities (Margin Deficit Securities or MDS) amounting to nil (2024: USD 29.7 million) and cash collateral amounting to USD 36.1 million (2024: USD 14.9 million).

These underlying securities had the following long-term ratings at the reporting date:

Group and Company S&P rating	**31 March 2025 USDm Related parties**	**31 March 2025 USDm External parties**	**31 March 2025 USDm Total**	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
AAA	**95.3**	**–**	**95.3**	–	8.5	8.5
AA+	**482.8**	**–**	**482.8**	–	97.9	97.9
AA	**13.5**	**–**	**13.5**	–	309.9	309.9
AA-	**214.3**	**–**	**214.3**	–	222.6	222.6
A+	**2,203.8**	**–**	**2,203.8**	248.7	657.7	906.4
A	**–**	**–**	**–**	–	128.4	128.4
A-	**–**	**–**	**–**	–	638.9	638.9
BBB+	**–**	**–**	**–**	–	540.5	540.5
BBB	**–**	**–**	**–**	–	283.9	283.9
BBB-	**–**	**–**	**–**	–	108.2	108.2
BB+	**–**	**–**	**–**	–	5.0	5.0
BB	**–**	**–**	**–**	–	8.7	8.7
BB-	**–**	**–**	**–**	–	6.1	6.1
B+	**–**	**–**	**–**	–	13.8	13.8
Not rated	**–**	**–**	**–**	6,018.3	3,555.1	9,573.4
	3,009.7	**–**	**3,009.7**	6,267.0	6,585.2	12,852.2

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

Group and Company Moody's rating	31 March 2025 USDm Related parties	31 March 2025 USDm External parties	31 March 2025 USDm Total	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
Aaa	**357.3**	**–**	**357.3**	3,737.0	971.8	4,708.8
Aa1	**9.5**	**–**	**9.5**	–	7.0	7.0
Aa2	**–**	**–**	**–**	160.7	590.4	751.1
Aa3	**1,784.1**	**–**	**1,784.1**	–	1,030.6	1,030.6
A1	**858.8**	**–**	**858.8**	1,989.2	1,174.0	3,163.2
A2	**–**	**–**	**–**	–	251.8	251.8
A3	**–**	**–**	**–**	–	454.6	454.6
Baa1	**–**	**–**	**–**	23.5	595.2	618.7
Baa2	**–**	**–**	**–**	–	194.9	194.9
Baa3	**–**	**–**	**–**	–	162.6	162.6
Ba1	**–**	**–**	**–**	–	12.9	12.9
Ba2	**–**	**–**	**–**	–	1.8	1.8
Ba3	**–**	**–**	**–**	–	2.8	2.8
B2	**–**	**–**	**–**	–	1.5	1.5
Not rated	**–**	**–**	**–**	356.6	1,133.3	1,489.9
	3,009.7	**–**	**3,009.7**	6,267.0	6,585.2	12,852.2

Derivatives

The Group's credit exposure on derivatives arises from the risk of non-performance of its counterparties in fulfilling their contractual obligations pursuant to its derivative transactions. The risk of non-performance can be directly impacted by volatile or illiquid trading markets, which may impair the counterparties' abilities to satisfy their obligations. The notional or contractual values of agreements do not represent exposure to credit risk, which is limited to the current cost of replacing the contracts with a positive market value.

The tables below analyse the carrying value of derivative assets before reserves by long-term credit rating, in line with long-term contractual durations of these instruments:

	Group		Company	
S&P	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Related parties*				
A	**6,930.4**	8,761.7	**6,904.8**	8,727.6
	6,930.4	8,761.7	**6,904.8**	8,727.6
External parties				
AAA	**–**	0.8	**–**	0.8
AA-	**86.8**	54.3	**86.8**	54.3
A+	**227.5**	473.9	**227.5**	474.0
A	**326.2**	394.7	**326.2**	394.7
A-	**31.4**	141.9	**31.4**	141.9
BBB+	**119.4**	71.8	**119.4**	71.8
BBB	**152.2**	59.5	**152.2**	59.5
BBB-	**–**	154.9	**–**	154.9
BB+	**4.9**	7.2	**4.9**	7.2
BB-	**0.7**	–	**0.7**	–
B+	**2.4**	–	**2.4**	–
B	**–**	6.4	**–**	6.4
CCC	**46.2**	–	**46.2**	–
Unrated	**1,237.1**	2,174.1	**1,237.1**	2,173.2
	9,165.2	12,301.2	**9,139.6**	12,266.3

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

	Group		Company	
Moody's	**31 March 2025 USDm**	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Related parties*				
A1	**6,930.4**	8,761.7	**6,904.8**	8,727.6
	6,930.4	8,761.7	**6,904.8**	8,727.6
External parties				
Aaa	**–**	0.8	**–**	0.8
Aa2	**72.8**	148.7	**72.8**	148.7
Aa3	**62.5**	80.3	**62.5**	80.3
A1	**460.6**	676.9	**460.6**	677.0
A2	**105.8**	103.7	**105.8**	103.7
A3	**18.4**	115.3	**18.4**	115.3
Baa1	**152.4**	161.2	**152.4**	161.2
Baa2	**111.9**	18.7	**111.9**	18.7
Ba1	**4.9**	162.1	**4.9**	162.1
Ba2	**0.7**	–	**0.7**	–
Ba3	**–**	6.4	**–**	6.4
B1	**24.4**	–	**24.4**	–
B2	**2.4**	10.8	**2.4**	10.8
Caa3	**46.3**	–	**46.3**	–
Unrated	**1,171.7**	2,054.6	**1,171.7**	2,053.7
	2,234.8	3,539.5	**2,234.8**	3,538.7
	9,165.2	12,301.2	**9,139.6**	12,266.3

* Related party balances are rated using the rating of the ultimate parent of SMBC Group

Credit risk is further mitigated by holding cash and securities collateral for the net balance with each counterparty. Details of collateral received are disclosed in note 18.

Other trading assets

As at 31 March 2025, other trading assets include an exposure to external counterparties rated BBB and lower or unrated by S&P amounting to USD 23.9 million (2024: USD 44.3 million).

b) Credit risk concentration

Management determines concentrations of counterparty credit risk in accordance with the FCA MiFIDPRU rules for investment firms. Management does not believe that the Group is exposed to significant concentrations of risk identified by currency or product. The notes below analyse concentration of credit risk by geographical areas.

Below is a geographical analysis of cash at banks by their countries of incorporation:

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
United Kingdom	**63.0**	37.3	**63.0**	37.3
Japan	**369.0**	399.3	**353.6**	384.6
United States	**130.1**	445.2	**59.0**	332.4
Other	**136.0**	130.6	**0.9**	2.5
	698.1	1,012.4	**476.5**	756.8

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

Geographical analysis of investment securities is based on the countries of the issuers:

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
United Kingdom	**89.8**	160.2	**89.8**	160.2
France	**–**	409.5	**–**	409.5
Germany	**–**	187.9	**–**	187.9
Japan	**–**	60.4	**–**	60.4
Netherlands	**–**	66.5	**–**	66.5
United States	**821.3**	701.9	**771.4**	651.9
Other	**–**	860.4	**–**	860.4
	911.1	2,446.8	**861.2**	2,396.8

Geographical analysis of reverse repos is based on the countries of the counterparties:

Group and Company	**31 March 2025 USDm**	31 March 2024 USDm
United Kingdom	**3,026.4**	2,723.1
Japan	**–**	6,238.9
France	**–**	2,241.1
United States	**–**	357.9
Other	**–**	1,327.9
	3,026.4	12,888.9

Derivative assets before reserves are analysed by reference to the countries of the customers:

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
United Kingdom	**1,369.0**	1,817.3	**1,369.0**	1,816.4
France	**132.3**	221.7	**132.3**	221.7
Japan	**740.0**	2,213.4	**740.0**	2,213.4
Netherlands	**81.1**	112.4	**81.1**	112.4
United States	**4,535.0**	5,853.3	**4,509.4**	5,819.2
Other	**2,307.8**	2,083.1	**2,307.8**	2,083.2
	9,165.2	12,301.2	**9,139.6**	12,266.3

c) Impairment

At the reporting date, the Group had no financial assets which were credit-impaired or which credit risk had significantly increased since initial recognition.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

iv) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, at a reasonable cost. The Group and the Company have no unfunded forward commitments in the one-year period.

The tables below show maturities of undiscounted contractual cash flows in respect of financial liabilities of the Group and Company.

As at 31 March 2025 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	**130.9**	–	13.9	6.0	111.0	130.9
Securities sold under agreement to repurchase	**2,208.9**	–	2,209.2	–	–	2,209.2
Collateral received	**2,675.1**	–	124.0	1,637.3	913.8	2,675.1
Other creditors, excluding lease liabilities	**58.4**	1.6	55.5	1.3	–	58.4
Lease liabilities	**0.6**	–	0.4	0.2	–	0.6
	5,073.9	1.6	2,403.0	1,644.8	1,024.8	5,074.2
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	**8,996.1**	–	780.0	3,029.9	5,186.2	8,996.1

As at 31 March 2025 Company	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	**130.9**	–	13.9	6.0	111.0	130.9
Securities sold under agreement to repurchase	**2,208.9**	–	2,209.2	–	–	2,209.2
Collateral received	**2,649.4**	–	98.3	1,637.3	913.8	2,649.4
Other creditors, excluding lease liabilities	**52.1**	1.6	49.5	1.0	–	52.1
	5,041.3	1.6	2,370.9	1,644.3	1,024.8	5,041.6
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	**8,970.5**	–	771.3	3,013.0	5,186.2	8,970.5

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

As at 31 March 2024 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[2]	965.9	173.9	792.0	–	–	965.9
Trading liabilities, at fair value[1]	175.4	–	21.7	9.8	143.9	175.4
Securities sold under agreement to repurchase	11,012.2	1,300.8	9,734.4	–	–	11,035.2
Collateral received	3,422.3	–	319.2	1,948.2	1,155.4	3,422.8
Other creditors, excluding lease liabilities	2,407.7	186.8	2,264.3	6.1	–	2,457.2
Lease liabilities	1.9	–	1.5	0.5	–	2.0
	17,985.4	1,661.5	13,133.1	1,964.6	1,299.3	18,058.5
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	12,105.1	–	1,653.9	3,892.4	6,558.8	12,105.1

As at 31 March 2024 Company	Carrying Value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[2]	965.9	173.9	792.0	–	–	965.9
Trading liabilities, at fair value[1]	175.4	–	21.7	9.8	143.9	175.4
Securities sold under agreement to repurchase	11,012.2	1,300.8	9,734.4	–	–	11,035.2
Collateral received	3,388.8	–	285.7	1,948.2	1,155.4	3,389.3
Other creditors, excluding lease liabilities	2,405.6	186.8	2,262.5	5.8	–	2,455.1
Lease liabilities	1.0	–	1.0	–	–	1.0
	17,948.9	1,661.5	13,097.3	1,963.8	1,299.3	18,021.9
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	12,070.2	–	1,633.4	3,880.8	6,556.0	12,070.2

1 The maturities of trading liabilities and derivative liabilities were prepared using present values rather than undiscounted cash flows.
2 The maturities of trading security liabilities were derived from the respective reverse repo contracts which provided the securities to sell.

v) Market risk

All trading instruments are subject to market risk, the potential that future changes in market conditions and other factors may create variation in the value of instruments, due to fluctuations in security prices, as well as interest and foreign exchange rates. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying assets are traded. As the instruments are recognised at fair value, those changes directly affect reported income.

The Group and the Company undertake their derivative business on either an agency basis or back-to-back basis where the market risk arising from customer trades is hedged either with CM Inc., or a market counterparty. Market risk arises in both the primary and the secondary securities business. It is mitigated through the monitoring and enforcing of strict position limits with short unwind periods. Businesses that are subject to market risk limits have these approved annually by the Board, and these are set out in an official Risk Appetite Statement.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

21. Risk management continued

The Group invests its capital in cash deposits, treasury bills, and a portfolio of high -quality floating rate notes; through the latter it seeks to earn an interest margin and, when the opportunity arises, to realise a profit. In addition, the Group places cash collateral with derivative trading counterparts, upon which it earns overnight interest. The Group has interest-bearing liabilities of cash collateral held on behalf of derivative trading counterparts and group borrowings.

The weighted average yield on the cash deposits was 5.10% for the year to 31 March 2025 (2024: 5.40%). The weighted average yields for the year to 31 March 2025 on floating rate notes and US Treasury securities were 4.13% (2024: 3.05%). Cash collateral amounts and interest rates are determined by derivative balances with respective counterparties, so the Group has a limited ability to control them, and their yields are not a primary business objective.

The Group's sensitivity to interest rates is such that a parallel increase or decrease of 100bps from year-end rates would decrease or increase net assets by USD 14.2/USD 14.5 million (2024: decrease by USD 12.4 /increase by USD 11.2 million) respectively.

vi) Foreign currency risk

The Group hedges its foreign exchange exposures including GBP expenses using forward exchange contracts. Further details of those contracts are disclosed in note 11.

vii) Operational risk

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events.

The primary objective of the Group's and the Company's Operational Risk Management Framework is to minimise the occurrence and impact of operational risk events, in particular avoiding extreme events, in order to support the Group's achievement of its strategic objectives.

Operational risk encompasses areas such as transaction operations, premises and security, external suppliers, payment processes, information, data quality and records management. In accordance with market practice, the Group also recognises the importance of ramifications of the way in which the Group operates its business, which might potentially lead to conduct risk failures. Consequences could be regulatory actions including fines, public reprimands, damage to reputation, increased prudential requirements, enforced temporary or permanent suspension of operations and, in extreme cases, withdrawal of authorisation to operate.

The Group has a number of operational risk management processes in place, including use of KRIs. The Group recognises the benefits of using scenario analysis to assess and manage the exposure to high severity, low frequency events in order to determine the nature of operational risk losses which could potentially arise in the future.

22. Offsetting financial assets and financial liabilities

The disclosure below demonstrates the effect and potential effect of netting arrangements on the Group's financial position.

Financial assets and liabilities should be offset when, and only when, there is a legally enforceable right to set off and intention to settle on a net basis.

Amounts that meet the offsetting criteria comprise derivative assets and liabilities within a settlement-to-market arrangement, under which the parties settle on a daily basis their net mark-to-market exposures by making payments equal to the amount of the exposure, with no further recourse to the transferred funds.

Amounts that do not meet the offsetting criteria include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position, because they create a right to set off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

22. Offsetting financial assets and financial liabilities continued

In the tables below, the amounts that do not meet the offsetting criteria and collateral have been capped for each counterparty as follows:

- Trading balances: at the lower of assets and liabilities;
- Cash collateral: at the net balance after offsetting assets and liabilities; and
- Non-cash collateral: at the residual balance after offsetting assets, liabilities and cash collateral.

As at 31 March 2025 Group	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	**11,468.6**	**(2,303.4)**	**9,165.2**	**(6,758.1)**	**(1,187.0)**	**(1.7)**	**1,218.4**
Reverse repurchase agreements	**3,026.4**	**–**	**3,026.4**	**(49.6)**	**(36.1)**	**(2,940.7)**	**–**
	14,495.0	**(2,303.4)**	**12,191.6**	**(6,807.7)**	**(1,223.1)**	**(2,942.4)**	**1,218.4**
Derivative liabilities (excluding reserves)	**11,282.5**	**(2,286.4)**	**8,996.1**	**(6,758.1)**	**(1,596.3)**	**(8.2)**	**633.5**
Repurchase agreements	**2,208.9**	**–**	**2,208.9**	**(49.6)**	**–**	**(2,132.3)**	**27.0**
	13,491.4	**(2,286.4)**	**11,205.0**	**(6,807.7)**	**(1,596.3)**	**(2,140.5)**	**660.5**

As at 31 March 2025 Company	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	**11,443.0**	**(2,303.4)**	**9,139.6**	**(6,758.1)**	**(1,161.4)**	**(1.7)**	**1,218.4**
Reverse repurchase agreements	**3,026.4**	**–**	**3,026.4**	**(49.6)**	**(36.1)**	**(2,940.7)**	**–**
	14,469.4	**(2,303.4)**	**12,166.0**	**(6,807.7)**	**(1,197.5)**	**(2,942.4)**	**1,218.4**
Derivative liabilities (excluding reserves)	**11,256.9**	**(2,286.4)**	**8,970.5**	**(6,758.1)**	**(1,596.3)**	**(8.2)**	**607.9**
Repurchase agreements	**2,208.9**	**–**	**2,208.9**	**(49.6)**	**–**	**(2,132.3)**	**27.0**
	13,465.8	**(2,286.4)**	**11,179.4**	**(6,807.7)**	**(1,596.3)**	**(2,140.5)**	**634.9**

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

22. Offsetting financial assets and financial liabilities continued

As at 31 March 2024 Group	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	14,922.4	(2,621.2)	12,301.2	(8,873.5)	(1,459.2)	(0.5)	1,968.0
Reverse repurchase agreements	13,215.1	(326.2)	12,888.9	(3,723.7)	(7.2)	(9,131.5)	26.5
	28,137.5	(2,947.4)	25,190.1	(12,597.2)	(1,466.4)	(9,132.0)	1,994.5
Derivative liabilities (excluding reserves)	14,824.2	(2,719.1)	12,105.1	(8,873.5)	(2,247.6)	(32.9)	951.1
Repurchase agreements	11,338.4	(326.2)	11,012.2	(3,723.7)	(117.8)	(7,126.8)	43.9
	26,162.6	(3,045.3)	23,117.3	(12,597.2)	(2,365.4)	(7,159.7)	995.0

As at 31 March 2024 Company	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	14,887.5	(2,621.2)	12,266.3	(8,872.7)	(1,425.9)	(0.2)	1,967.5
Reverse repurchase agreements	13,215.1	(326.2)	12,888.9	(3,723.7)	(7.2)	(9,131.5)	26.5
	28,102.6	(2,947.4)	25,155.2	(12,596.4)	(1,433.1)	(9,131.7)	1,994.0
Derivative liabilities (excluding reserves)	14,789.3	(2,719.1)	12,070.2	(8,872.7)	(2,247.6)	(15.3)	934.6
Repurchase agreements	11,338.4	(326.2)	11,012.2	(3,723.7)	(117.8)	(7,126.8)	43.9
	26,127.7	(3,045.3)	23,082.4	(12,596.4)	(2,365.4)	(7,142.1)	978.5

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

23. Fair value hierarchy

IFRS 13 establishes a hierarchy of valuation inputs used for the fair value measurement of financial instruments. It also encourages the use of higher levels of inputs where possible. These valuation levels are often perceived as indicators of the quality and liquidity of financial instruments.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable, either directly or indirectly.
- Level 3: Unobservable inputs.

Where an instrument is measured using a combination of inputs, its classification is determined by the lowest level of inputs which make a significant contribution to the overall value.

When available, the Group uses quoted market prices in active markets to determine fair value, and classifies such items within Level 1.

In some cases where no market price is available the Group will make use of acceptable practical expedients such as matrix pricing to calculate fair value, in which case the items are classified within Level 2.

If quoted market prices are not available, fair value is based upon internally developed models that use current independently sourced market parameters such as interest rates, exchange rates and option volatilities, the valuation model used depends upon the specific asset or liability being valued. The determination of fair value considers various factors, including interest rate yield curves, time value and volatility factors, underlying options and derivatives and price activity for equivalent synthetic instruments.

The majority of derivative transactions entered into by the Group are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying reference instrument. The principal techniques used to value these instruments are discounted cash flows, Black-Scholes and Monte Carlo simulation.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, exchange rates, the spot price of the underlying instrument and volatility. A given position is categorised as Level 2 or Level 3 depending on the observability of the significant inputs to the model. Where a valuation incorporates material inputs that are not based on observable market data, it will be classified as Level 3. Unobservable inputs are determined with reference to observable inputs, historical observations (of, for example, correlations) or the use of other analytical techniques.

Fair values of financial instruments measured at amortised cost approximate their carrying values.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

23. Fair value hierarchy continued

The following tables present the fair value hierarchy of financial assets and liabilities, measured at fair value in the statement of financial position, at 31 March 2025 and 31 December 2024:

As at 31 March 2025	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	**911.1**	**–**	**–**	**911.1**
Derivative assets	**–**	**9,149.8**	**–**	**9,149.8**
Other trading assets	**–**	**37.2**	**–**	**37.2**
	911.1	**9,187.0**	**–**	**10,098.1**
Financial liabilities				
Derivative liabilities	**–**	**8,968.9**	**–**	**8,968.9**
Other trading liabilities	**–**	**130.9**	**–**	**130.9**
	–	**9,099.8**	**–**	**9,099.8**
Company				
Financial assets				
Investment securities	**861.2**	**–**	**–**	**861.2**
Derivative assets	**–**	**9,124.1**	**–**	**9,124.1**
Other trading assets	**–**	**37.2**	**–**	**37.2**
	861.2	**9,161.3**	**–**	**10,022.5**
Financial liabilities				
Derivative liabilities	**–**	**8,943.3**	**–**	**8,943.3**
Other trading liabilities	**–**	**130.9**	**–**	**130.9**
	–	**9,074.2**	**–**	**9,074.2**

As at 31 March 2024	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	1,143.9	1,302.9	–	2,446.8
Derivative assets	–	12,265.2	–	12,265.2
Other trading assets	–	58.0	1.1	59.1
	1,143.9	13,626.1	1.1	14,771.1
Financial liabilities				
Investment securities	656.4	309.5	–	965.9
Derivative liabilities	–	12,083.8	–	12,083.8
Other trading liabilities	–	174.3	1.1	175.4
	656.4	12,567.6	1.1	13,225.1
Company				
Financial assets				
Investment securities	1,093.9	1,302.9	–	2,396.8
Derivative assets	–	12,230.2	–	12,230.2
Other trading assets	–	58.0	1.1	59.1
	1,093.9	13,591.1	1.1	14,686.1
Financial liabilities				
Investment securities	656.4	309.5	–	965.9
Derivative liabilities	–	12,049.0	–	12,049.0
Other trading liabilities	–	174.3	1.1	175.4
	656.4	12,532.8	1.1	13,190.3

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

23. Fair value hierarchy continued

Amounts classified as Level 3 comprise certain interest rate swaps. The swaps represent vanilla derivative trades whose notional size is expected to be reduced before the maturity date (e.g. through syndication of the trade). A reserve has therefore been created in respect of the future cash flows that are not expected to occur as a result of the reduction to the notional trade size. The swaps are valued using inputs that are readily observable in the market, except only for the expected notional size reduction which is an internally known factor and therefore not an externally observable input. Under IFRS 13, the value of the observable mark-to-market valuation and unobservable reserve are considered to be one accounting unit, and, where the reserve represents a significant portion of the total value of the unit, the entire unit is classified as Level 3. The reserves are periodically re-measured and if their share in the total value changes between significant and insignificant, the trades move in and out of Level 3.

The table below provides a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs for the years ended 31 March 2025 and 31 March 2024. The trades were transferred to or from Level 3 because their unobservable inputs became significant or insignificant at the reporting date. Transfers are effective at the end of the reporting period.

Year ended 31 March 2025 Group and Company	**1 April 2024 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2025 USDm**
Assets:						
Other trading instruments	**1.1**	**–**	**–**	**(0.5)**	**(0.6)**	**–**
Total assets at fair value	**1.1**	**–**	**–**	**(0.5)**	**(0.6)**	**–**

Year ended 31 March 2025 Group and Company	**1 April 2024 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2025 USDm**
Liabilities:						
Other trading instruments	**1.1**	**–**	**–**	**(0.5)**	**(0.6)**	**–**
Total liabilities at fair value	**1.1**	**–**	**–**	**(0.5)**	**(0.6)**	**–**

Year ended 31 March 2024 Group and Company	1 April 2023 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2024 USDm
Assets:						
Other trading instruments	–	–	–	1.1	–	1.1
Total assets at fair value	–	–	–	1.1	–	1.1

Year ended 31 March 2024 Group and Company	1 April 2023 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2024 USDm
Liabilities:						
Other trading instruments	–	–	–	1.1	–	1.1
Total liabilities at fair value	–	–	–	1.1	–	1.1

The following table provides information about significant unobservable inputs for Level 3 fair value measurements:

Instrument	**Valuation techniques**	**Unobservable inputs**
Other trading instruments	Internal swap model	Expected reduction to notional size before maturity

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

23. Fair value hierarchy continued

The Product Control Department is responsible for the valuation policies and procedures. This department is responsible for verifying valuations of the Company's derivatives and securities, and reports into the CFO. The Company's Risk Management Department is responsible for managing model risk and its related policies and procedures, and reports into the CRO. As all models are owned by the Front Office under supervision and reporting lines of the Head Trader, independence in the validation process is maintained. All changes in existing models are reported to the Risk Management Department and approved by the Model Validation Group (MVG). Model use and changes to models are approved by Global Risk Management Committee (GRMC), to which the MVG makes its recommendations. The GRMC broader membership extends to include representatives from the Group, which also supports independence within the validation process. Pricing models are validated based on assigned tiers. Tier 1 models are validated annually, Tier 2 models are validated every two years and Tier 3 models are validated every three years. Stress tests are run on a weekly/monthly basis.

24. Classification of financial assets and financial liabilities

Financial instruments at the reporting date are classified in accordance with IFRS 9.

Group As at 31 March 2025	**Amortised cost USDm**	**FVTPL* USDm**	**FVOCI** USDm**	**Total USDm**
Assets				
Cash at banks	**698.1**	**–**	**–**	**698.1**
Investment securities	**–**	**49.9**	**861.2**	**911.1**
Other trading assets, at fair value	**–**	**37.2**	**–**	**37.2**
Derivative assets	**–**	**9,149.8**	**–**	**9,149.8**
Securities purchased under agreements to resell	**3,026.4**	**–**	**–**	**3,026.4**
Collateral placed	**1,987.0**	**–**	**–**	**1,987.0**
Other debtors	**86.9**	**–**	**–**	**86.9**
Total assets	**5,798.4**	**9,236.9**	**861.2**	**15,896.5**
Liabilities				
Derivative liabilities	**–**	**8,968.9**	**–**	**8,968.9**
Other trading liabilities, at fair value	**–**	**130.9**	**–**	**130.9**
Securities sold under agreements to repurchase	**2,208.9**	**–**	**–**	**2,208.9**
Collateral received	**2,675.1**	**–**	**–**	**2,675.1**
Other creditors	**59.0**	**–**	**–**	**59.0**
Total liabilities	**4,943.0**	**9,099.8**	**–**	**14,042.8**

Company As at 31 March 2025	**Amortised cost USDm**	**FVTPL* USDm**	**FVOCI** USDm**	**Total USDm**
Assets				
Cash at banks	**476.5**	**–**	**–**	**476.5**
Investment securities	**–**	**–**	**861.2**	**861.2**
Other trading assets, at fair value	**–**	**37.2**	**–**	**37.2**
Derivative assets	**–**	**9,124.1**	**–**	**9,124.1**
Securities purchased under agreements to resell	**3,026.4**	**–**	**–**	**3,026.4**
Collateral placed	**1,987.0**	**–**	**–**	**1,987.0**
Other debtors	**95.1**	**–**	**–**	**95.1**
Total assets	**5,585.0**	**9,161.3**	**861.2**	**15,607.5**
Liabilities				
Derivative liabilities	**–**	**8,943.3**	**–**	**8,943.3**
Other trading liabilities, at fair value	**–**	**130.9**	**–**	**130.9**
Securities sold under agreements to repurchase	**2,208.9**	**–**	**–**	**2,208.9**
Collateral received	**2,649.4**	**–**	**–**	**2,649.4**
Other creditors	**52.1**	**–**	**–**	**52.1**
Total liabilities	**4,910.4**	**9,074.2**	**–**	**13,984.6**

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

24. Classification of financial assets and financial liabilities continued

Group As at 31 March 2024	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	1,012.4	–	–	1,012.4
Investment securities	–	1,930.8	516.0	2,446.8
Other trading assets, at fair value	–	59.1	–	59.1
Derivative assets	–	12,265.2	–	12,265.2
Securities purchased under agreements to resell	12,888.9	–	–	12,888.9
Collateral placed	2,939.0	–	–	2,939.0
Other debtors	310.9	–	–	310.9
Total assets	17,151.2	14,255.1	516.0	31,922.3
Liabilities				
Derivative liabilities	–	12,083.8	–	12,083.8
Other trading liabilities, at fair value	–	175.4	–	175.4
Investment securities sold, not yet purchased	–	965.9	–	965.9
Securities sold under agreements to repurchase	11,012.2	–	–	11,012.2
Collateral received	3,422.3	–	–	3,422.3
Other creditors	2,409.6	–	–	2,409.6
Total liabilities	16,844.1	13,225.1	–	30,069.2

Company As at 31 March 2024	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	756.8	–	–	756.8
Investment securities	–	1,880.8	516.0	2,396.8
Other trading assets, at fair value	–	59.1	–	59.1
Derivative assets	–	12,230.2	–	12,230.2
Securities purchased under agreements to resell	12,888.9	–	–	12,888.9
Collateral placed	2,939.0	–	–	2,939.0
Other debtors	319.5	–	–	319.5
Total assets	16,904.2	14,170.1	516.0	31,590.3
Liabilities				
Derivative liabilities	–	12,049.0	–	12,049.0
Other trading liabilities, at fair value	–	175.4	–	175.4
Investment securities sold, not yet purchased	–	965.9	–	965.9
Securities sold under agreements to repurchase	11,012.2	–	–	11,012.2
Collateral received	3,388.8	–	–	3,388.8
Other creditors	2,406.6	–	–	2,406.6
Total liabilities	16,807.6	13,190.3	–	29,997.9

* Fair value through profit or loss

** Fair value through other comprehensive income

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

25. IBOR Reform

The London Interbank Offered Rate (LIBOR) reform was initiated by global regulators in response to the negative publicity around the quality of published LIBOR rates and potential for manipulation. As a result, the UK's FCA and other global regulators instructed market participants to transition from LIBOR rates to alternative near Risk-Free Rates (RFRs), such as the Sterling Overnight Index Average (SONIA) for GBP LIBOR and Secured Overnight Financing Rate (SOFR) for US Dollar LIBOR. All LIBOR publications were gradually phased out, with the last synthetic LIBOR rates published on 30 September 2024.

When the reform was announced, the Group had material exposure to IBORs in its financial instruments and reformed them as part of this market-wide initiative. At the end of the last year, the Group had a limited number of legacy contracts which were yet to be transitioned. The migration to alternative RFRs was completed during the year. Accordingly, there were no IBOR-linked instruments at the reporting date. The table below shows the Group and Company's exposure to significant IBORs at the end of the last year:

Group and Company As at 31 March 2024	GBP LIBOR USDm	USD LIBOR USDm	Total USDm
Derivative assets			
Carrying value (excluding reserves)	–	62.8	62.8
Notional principal	–	1,003.0	1,003.0
Derivative liabilities			
Carrying value (excluding reserves)	–	62.8	62.8
Notional principal	–	1,003.0	1,003.0

The main risks which the Group was exposed to as a result of IBOR reform were operational – for example, the renegotiation of derivative contracts, updating of contractual terms, updating of systems that used IBOR curves and revision of operational controls related to the reform. Financial risk was predominantly limited to interest rate risk.

There were no changes to the risk management strategies as a result the IBOR reform. The transition was aimed at maintaining equivalence and business continuity of its contracts with customers.

26. Obligations under operating leases

Operating lease commitments represent leases which do not meet the recognition criteria of IFRS 16. Annual commitments under such leases at the reporting date are as follows:

Group and Company	**Land and buildings 31 March 2025 USDm**	Land and buildings 31 March 2024 USDm
Operating leases which expire:		
Within one year	**0.1**	0.5
	0.1	0.5

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

27. Regulatory capital (unaudited)

Both the Group and the Company are subject to the FCA's Investment Firms Prudential Regime (IFPR). The IFPR is a single prudential regime for all solo regulated investment firms in the UK (FCA investment firms) authorised under the UK Markets in Financial Instruments Directive (MiFID).

The primary objective of the Group's and the Company's capital management is to ensure compliance with capital requirements imposed by the FCA. Regulatory capital comprises ordinary share capital, share premium, retained earnings (including externally verified interim profits) as common equity tier 1 capital (CET1) and perpetual non-cumulative preference shares qualifying as additional tier 1 capital (AT1). The business must maintain Own Funds ratio, the proportion of relevant capital to the IFPR own funds requirement above the FCA prescribed thresholds.

The table below summarises the Group and the Company's capital adequacy positions:

	Group		Company	
	31 March 2025 USDm	31 March 2024 USDm	**31 March 2025 USDm**	31 March 2024 USDm
Common equity tier 1 (CET1) capital				
Called up share capital	**779.0**	779.0	**779.0**	779.0
Share premium	**165.0**	165.0	**165.0**	165.0
Retained earnings	**552.9**	575.2	**522.7**	514.2
Other reserves	**3.9**	(1.1)	**3.9**	(1.1)
	1,500.8	1,518.1	**1,470.6**	1,457.1
CET1 regulatory adjustments				
Intangible assets	**(5.2)**	(17.4)	**(5.2)**	(17.4)
Cash flow hedges	**–**	0.4	**–**	0.4
Other	**(28.7)**	(28.9)	**(28.7)**	(28.8)
	(33.9)	(45.9)	**(33.9)**	(45.8)
Total CET1 capital	**1,466.9**	1,472.2	**1,436.7**	1,411.3
Additional tier 1 (AT1) capital				
Perpetual non-cumulative preference shares	**360.0**	360.0	**360.0**	360.0
Total own funds (A)	**1,826.9**	1,832.2	**1,796.7**	1,771.3
IFPR own funds requirement (B)	**136.9**	285.9	**136.4**	285.3
Own funds ratio *	**1,334.5%**	640.8%	**1,317.2%**	620.9%

* Own funds ratio is defined as Own Funds divided by IFPR Own Funds Requirement, expressed as a percentage.

The Group and the Company utilise a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under IFPR.

Foremost is the annual assessment of own funds (regulatory capital) and liquidity adequacy conducted during the Internal Capital Adequacy and Risk Assessment process, which considers the Group and Company's resource requirements under business as usual and a variety of severe yet plausible stressed scenario contexts. In the case of own funds, these requirements are forecast over a three-year time horizon and test a number of the key sensitivities of the Group's and Company's business lines and balance sheet. The Group and Company then ensure that the current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Management believes that the Group and the Company have been in compliance with externally imposed capital requirements throughout the period.

Further details of the Company's own funds, own funds requirements and remuneration information can be found in the Company's IFPR Disclosure Document. This report is published on the SMBC Group's corporate website for the EMEA (www.smbcgroup.com/emea/notices-reporting/corporate-disclosures).

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

28. Country-by-country reporting

The Capital Requirements Regulations 2013 (country-by-country reporting or CBCR) came into effect on 1 January 2014. The requirements impose certain reporting obligations on credit institutions and investments firms within the UK and within the scope of EU Capital Requirements Directive IV. The Group country-by-country report is presented below.

Information on Group entities:

Entity	Country of incorporation	Country of tax residence	Main activities
SMBC Nikko Capital Markets Limited	United Kingdom	United Kingdom	Investment banking
SMBC Derivative Products Limited	United Kingdom	United Kingdom	Investment banking
SMBC Capital Markets (Asia) Limited	Hong Kong	Hong Kong	Agency and intermediary services
SMBC Nikko Capital Markets Limited, Abu Dhabi Global Market branch *	United Arab Emirates	n/a	Agency and intermediary services
SMBC Nikko Capital Markets Limited, Hong Kong branch	United Kingdom	n/a	Agency and intermediary services

* Closed during the year (see note 34)

Basis of preparation:

Revenue: The Group defines revenue as its total net trading, fee and interest income.

Corporation tax paid: The cash amount of corporation tax paid in each country in the year.

Public subsidies received: In the context of CBCR, this is interpreted as direct support by the government. There were no subsidies received by the Group in the year (2024: nil).

Number of employees: Employee numbers reported reflect the number of employees on a full-time-equivalent (FTE) basis.

Year ended 31 March 2025:	**United Kingdom**	**Hong Kong**	**United Arab Emirates**	**Group**
Total revenue (USDm)	**140.2**	**7.6**	**1.3**	**149.1**
(Loss)/profit before tax (USDm)	**(4.4)**	**0.1**	**0.1**	**(4.2)**
Corporation tax paid/(received) (USDm)	**22.4**	**(0.8)**	**–**	**21.6**
Average number of employees	**71**	**15**	**2**	**88**

Year ended 31 March 2024:	United Kingdom	Hong Kong	United Arab Emirates	Group
Total revenue (USDm)	200.0	7.8	1.9	209.7
Profit/(loss) before tax (USDm)	21.2	(0.1)	(0.2)	20.9
Corporation tax paid (USDm)	20.0	0.7	–	20.7
Average number of employees	178	17	4	199

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

29. Related party transactions

Related parties of the Group comprise subsidiaries and affiliates of the wider SMBC Group and Directors of the Group. The tables below set out related party balances at the reporting date and transactions during the year.

	31 March 2025 USDm	31 March 2024 USDm
Sumitomo Mitsui Banking Corporation – Parent		
Balances receivable/(payable) at year-end		
Cash at banks	**33.7**	12.2
Net derivative assets	**(627.6)**	(1,227.4)
Collateral placed	**660.0**	1,239.7
Collateral received	**(1,375.1)**	(1,878.8)
Funding loans	**–**	(2,104.8)
Other assets/(liabilities)	**–**	(0.2)
Amounts outside the statement of financial position		
Independent Amount securities received (note 18)	**790.9**	789.5
Guaranteed derivative balances (note 30)	**1,208.1**	1,803.9
Income/(expense) during the year		
(Loss) /gain on derivative instruments	**(156.9)**	(968.4)
Interest income	**42.5**	83.8
Interest expense	**(159.7)**	(133.7)
Fees and commissions received	**33.9**	–
Fees and commissions paid	**(1.1)**	(10.4)
Other expenses	**(1.2)**	(1.3)

	31 March 2025 USDm	31 March 2024 USDm
SMBC Nikko Securities Inc. – Parent		
Balances receivable/(payable) at year-end		
Securities purchased under resale agreements	**–**	6,238.9
Accrued income receivable	**–**	4.1
Other receivables – reimbursements	**0.5**	1.2
Other payables – securities trading fees	**(0.8)**	(1.5)
Securities sold under repurchase agreements	**–**	(127.4)
Amounts outside the statement of financial position		
Margin Deficit Securities received (note 18)	**–**	29.7
Income/(expense) during the year		
Interest income on securities under resale agreements	**179.2**	150.7
Fees and commission on securities trading	**6.7**	21.2
Other operating income	**–**	0.1
Reimbursements	**1.8**	2.9
Interest expense on securities under repurchase agreements	**(5.6)**	(10.5)
Other fees and commissions paid	**(0.1)**	(0.5)
Other expenses	**(0.4)**	(1.2)

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

29. Related party transactions continued

	31 March 2025 USDm	31 March 2024 USDm
SMBC Capital Markets Inc.		
Balances receivable/(payable) at year-end		
Accrued interest receivable	–	0.2
Other assets – agency fees	12.8	18.3
Net derivative assets/(liabilities)	887.9	1,085.3
Securities sold under repurchase agreements	(2,159.3)	(1,278.9)
Trading instruments net liabilities	(84.0)	(100.1)
Collateral received	(814.8)	(1,076.0)
Accrued expenses payable – guarantee fees/agency fees	(17.6)	(17.0)
Amounts outside the statement of financial position		
Termination value of guaranteed transactions *	341.0	877.0
Guarantee indemnity securities (note 18) *	486.2	1,247.6
Income/(expense) during the year		
Gain/(loss) on derivative instruments	(142.0)	327.9
Interest (expense)/income	(48.5)	(100.9)
Fees and commissions on agency trading	3.8	3.7
Gain/(loss) on trading instruments	(2.3)	(5.9)
Other operating income – guarantee termination/intermediation fees	6.8	4.0
Fees and commissions on securities trading	(0.3)	(0.3)
Other operating expenses	(2.0)	(11.5)

* In the ordinary course of business, SMBC DP guarantees the performance of its affiliate, CM Inc., in relation to interest rate caps sold by CM Inc. to third parties. To protect itself against the risk, SMBC DP has obtained an indemnity from CM Inc. To support this indemnity, CM Inc. pledges securities collateral in the form of US Treasury bills. The guarantees are accounted for as financial guarantees.

	31 March 2025 USDm	31 March 2024 USDm
SMBC Nikko Securities America Inc.		
Balances receivable/(payable) at year-end		
Securities purchased under resale agreements	–	69.3
Accrued income receivable	2.2	8.8
Other assets	0.1	0.5
Securities sold under repurchase agreements	–	(60.7)
Accrued securities trading fees and agency fees	(1.0)	(3.4)
Other liabilities	(1.1)	(14.5)
Income/(expense) during the year		
Interest income on securities under resale agreements	0.4	4.0
Fees and commission income on securities trading	4.4	6.6
Interest expense on securities under repurchase agreements	(5.8)	(3.3)
Fees and commissions expense on securities trading	(3.8)	(7.5)
Other operating expenses	(0.3)	(0.3)

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

29. Related party transactions continued

	31 March 2025 USDm	31 March 2024 USDm
SMBC Bank International plc		
Balances receivable/(payable) at year-end		
Cash at banks	**25.6**	5.0
Securities purchased under resale agreements	**3,026.4**	–
Collateral placed	**51.9**	133.7
Net derivative instruments	**(51.8)**	(134.3)
Other assets	**18.1**	0.2
Securities sold under repurchase agreements	**(49.6)**	(903.0)
Other liabilities	**(3.6)**	(23.0)
Income/(expense) during the year		
Loss on derivative instruments	**24.6**	(46.1)
Interest income	**70.3**	6.6
Interest expense	**(118.3)**	(42.4)
Other operating expenses	**(43.0)**	(46.7)

	31 March 2025 USDm	31 March 2024 USDm
SMBC Nikko Securities (Hong Kong) Limited		
Balances receivable/(payable) at year-end		
Accrued income receivable	**–**	1.3
Accrued expenses payable	**(0.1)**	(0.2)
Other liabilities	**(0.7)**	(0.1)
Income/(expense) during the year		
Fees and commission on securities trading	**(1.8)**	3.8
Other fees and commissions paid	**(0.1)**	(0.5)
Other non-personnel expenses	**(0.5)**	(0.6)

	31 March 2025 USDm	31 March 2024 USDm
Nikko Systems Solutions, Ltd.		
Income/(expense) during the year		
Other non-personnel expenses	**–**	(0.3)

	31 March 2025 USDm	31 March 2024 USDm
SMBC Nikko Securities (Singapore) Pte. Ltd		
Balances receivable/(payable) at year-end		
Accrued income receivable	**–**	0.3

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

29. Related party transactions continued

	31 March 2025 USDm	31 March 2024 USDm
SMBC Bank EU AG		
Balances receivable/(payable) at year-end		
Net derivative assets/liabilities	**156.4**	2.1
Collateral placed	**–**	7.2
Other receivables	**15.9**	19.3
Collateral received	**(156.0)**	–
Other payables	**(156.0)**	(6.1)
Income/(expense) during the year		
Fees and commission on securities trading	**1.4**	1.8
Gain/(loss) on derivative instruments	**(20.3)**	104.8
Other operating income	**6.5**	9.1
Interest income	**0.9**	7.1
Interest expense	**(2.8)**	(0.1)
Other fees and commissions paid	**(5.2)**	(9.0)

	31 March 2025 USDm	31 March 2024 USDm
The Bank of East Asia, Limited		
Balances receivable/(payable) at year-end		
Cash at banks	**3.0**	2.4

	31 March 2025 USDm	31 March 2024 USDm
DMG MORI Finance GmbH		
Balances receivable/(payable) at year-end		
Derivative liabilities	**(0.2)**	(1.5)
Income/(expense) during the year		
Loss on derivative instruments	**–**	(0.3)

Other related parties include unconsolidated structured entities, income from which is disclosed in note 33 and the Group's Directors whose emoluments are disclosed in note 5.

SMBC Nikko Capital Markets Limited Notes to the Financial Statements continued

For the year ended 31 March 2025

30. Credit guarantee

The Group has entered into unconditional guarantee arrangements with SMBC, acting through its Cayman and Tokyo branches, under which SMBC is obliged to make the full and prompt payment of any net termination payment payable to the Group under any of the ISDA Master Agreements with specific guaranteed counterparties, totalling USD 1,208.1 million (2024: USD 1,803.9 million). In order to support the guarantee, SMBC has provided the Group cash collateral, disclosed in note 18.

The Group pays upfront the full fee amount of the guaranteed transaction in respect of the expected life of the transaction, computed on a fair value basis. In the case of an agreed termination of an existing guarantee the Group receives a proportionate reimbursement of the upfront guarantee fee and records a CVA reserve to ensure that the value of derivative contracts reflects counterparty credit risk.

During the year and in connection with the asset sale described in the Strategic Report, the Group entered into a guarantee arrangement with the purchaser of those assets. It paid an upfront guarantee fee for all assets included in the sale and then received reimbursement for the assets of other SMBC Group entities.

Below is the amount of credit guarantees expense in profit or loss:

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
(Received from)/paid to related parties	**(33.8)**	9.8
Paid to external parties	**81.0**	-
Net guarantee fees	**47.2**	9.8

31. Borrowing facilities

In 2017, SMBC and the Group signed an agreement to provide the Group with a USD 2.0 billion multi-currency uncommitted rolling facility. In May 2023 and June 2024, the facility size was increased to USD 2.5 billion and USD 4.0 billion respectively, to create capacity for additional funding requirements. At 31 March 2025, the facility was unused (2024: 2,104.8 USD million) as outstanding loans were repaid following the transfer of the Securities business to SMBC Bank International Ltd.

In 2017, SMBC and the Group also signed an agreement to provide the Group with a JPY 300.0 billion uncommitted rolling facility. The facility was unused during the current or prior year.

The Group has an earlier agreement with SMBC made in 2010 to provide the Group with a USD 250.0 million multi-currency revolving committed facility which can be terminated by either party at six months' notice. For this the Group pays a fee of 0.05% per annum on the undrawn amount of the facility. The facility was unused during the current or prior year.

SMBC acts as guarantor for some of the Group's transactions. For this the Group pays a fee based on the notional amount, maturity and deal type for each transaction, as detailed in note 30.

Under a loan agreement dated 18 April 2016, CM Inc. has committed to providing SMBC DP with a USD 200.0 million revolving credit facility for a five-year period. The facility was renewed in April 2021 for another five-year period. A commitment fee on the amount of the undrawn facility is payable to CM Inc. until the maturity date of the agreement. At 31 March 2025 and 31 March 2024, the entire facility was unused.

In December 2021, the Company agreed to provide SMBC DP with a USD 10.0 million uncommitted short-term multi-currency liquidity facility, renewed annually. In December 2022, the facility was amended to increase its size to USD 50.0 million to accommodate SMBC DP's liquidity requirement. At 31 March 2025, USD 8.4 million (2024: USD 15.5 million) of the facility was lent.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

31. Borrowing facilities continued

As explained in note 29, SMBC DP guarantees interest rate caps of CM Inc. In return, CM Inc. provides an indemnity to SMBC DP supported by collateral in the form of US Treasury bills.

SMBC DP, as an AA-/Aa1 derivative product company, is required by Moody's and S&P to have a Contingent Manager. Under such an agreement, an unaffiliated derivatives dealer would provide portfolio management and other general services to the firm in the event that the long-term senior rating of Sumitomo Mitsui Banking Corporation (SMBC) is downgraded to Baa3 or below by Moody's, or the event that SMBC's short-term rating is downgraded to P-3 or below by Moody's, or the event that the long-term senior rating of SMBC is downgraded to BB or below by S&P, or the event that SMBC's short-term rating is downgraded to B or below by S&P. On 7 December 2024, the Contingent Manager Agreement with BlackRock Financial Management, Inc. rolled for 12 months as no notice to terminate was issued by SMBC DP.

32. Investment in subsidiary undertakings

The Company has invested USD 200.0 million in the ordinary shares of SMBC Derivative Products Limited, a 100% subsidiary, incorporated in England and Wales, registered office 100 Liverpool Street, London, EC2M 2AT, and USD 2.0 million in the ordinary shares of SMBC Capital Markets Asia Limited, a 100% subsidiary, incorporated in Hong Kong, registered office 7/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, the results of both of which have been included in these Group financial statements. There were no changes in investments in subsidiary undertakings in the year.

33. Sponsored unconsolidated structured entities

The Group sponsors certain structured entities in which it has no interest. The Group is deemed to be a sponsor of a structured entity when it takes a leading role in determining its purpose and design and provides operational support to ensure its continued operation.

Income from sponsored unconsolidated structured entities, where the Group did not have an interest at the end of the year, amounted to a loss of USD 3.1 million (2024: income of USD 29.5 million).

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2025

34. Items held for sale

Last year, the Group announced its intention to sell its Securities business, including that of the Abu Dhabi Global Markets Branch to a related party, SMBC Bank International plc. The sale was completed in October 2024 and resulted in a USD 1.3 million gain on disposal. The branch was then closed whereas SMBC Bank International plc registered its own branch in Abu Dhabi to run the business.

Below is the analysis of major classes of assets and liabilities in the disposal group at the transfer date and 31 March 2024. No equity was included in the transfer.

	Transfer date USDm	31 March 2024 USDm
Assets		
Investment securities	**1,413.8**	1,880.8
Securities purchased under agreements to resell	**14,256.7**	12,888.9
Other assets	**18.6**	250.5
Total assets	**15,689.1**	15,020.2
Liabilities		
Securities sold, not yet purchased	**416.8**	965.9
Securities sold under agreements to repurchase	**16,242.4**	11,180.1
Other liabilities	**13.5**	37.0
Total liabilities	**16,672.7**	12,183.0

The following table analyses the results of the sold business for the current year up to the transfer date and previous year.

	Year ended 31 March 2025 USDm	Year ended 31 March 2024 USDm
Total income	**77.0**	115.5
Operating expenses	**(54.6)**	(117.2)
Profit/(loss) before taxation	**22.4**	(1.7)
Taxation	**(6.3)**	0.5
Profit/(loss) from discontinued operations attributable to owners of the parent	**16.1**	(1.2)

35. Events after the reporting date

After the reporting date, the Group management has made a decision to sell SMBC Capital Markets (Asia) Limited to the minority parent SMBC Nikko Securities Inc. The transaction is likely to be completed during the next financial year year and is not expected to have a material effect on Group financial statements. See further details in the Strategic Report.

36. Ultimate parent undertaking and controlling party

The Company's immediate parent is Sumitomo Mitsui Banking Corporation. The Company's ultimate parent is Sumitomo Mitsui Financial Group Inc, incorporated in Japan. It is the largest Group of which this Company is a member and which has included this Company in its Group financial statements. Copies of these financial statements can be obtained from the following address:

1-2 Marunouchi
1-chome
Chiyoda-ku
Tokyo, Japan

Forward-looking statements and sustainability matters

Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations, and business of the Company and SMBC Group. Forward-looking statements may be made in writing but also may be made verbally by members of the management of SMBC Group in connection with this document.

Words such as "may", "will", "continue", "aim", "target", "projected", "expect", "anticipate", "intend", "plan", "goal", "believe", "seek", "estimate", "achieve", "potential" and variations of these words are intended to identify forward-looking statements.

The Company and SMBC Group makes no commitment to revise or update publicly any forward-looking statements. Forward-looking statements may be affected by, among other things, changes in legislation; the development of standards and interpretations under IFRS; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; SMBC Group's ability to manage the impacts of climate change effectively; geopolitical risks; and the impact of competition. A number of these factors are beyond the control of the Company and SMBC Group. As a result, the Company and SMBC Group's actual financial position, future results, capital distributions, capital, leverage or other regulatory ratios, or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Company's and SMBC Group's forward-looking statements.

Sustainability matters

Investment and financing decisions, including those with sustainability considerations, are made in accordance with the Company's and SMBC Group's independently determined policies and practices, which are designed to support risk management and other investment, financing and commercial objectives. Any engagement by the Company or SMBC Group with other entities or organisations on sustainability-related, or other matters, is conducted in accordance with the Company's and SMBC Group's own policies and judgements. All sustainability-related decisions are made in compliance with the applicable legal requirements in each relevant jurisdiction.

SMBC Group